MILITARY CONSTRUCTION APPROPRIATIONS FOR 1987

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

SECOND SESSION

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MILITARY CONSTRUCTION APPROPRIATIONS FOR 1987

EXECUTIVE SESSION

WEDNESDAY, MARCH 5, 1986.

FISCAL YEAR 1987 DEFENSE AGENCIES MILITARY CONSTRUCTION/FAMILY HOUSING PROGRAMS AND TOXIC WASTE

WITNESSES

NATIONAL SECURITY AGENCY

DALE A. SEABERG, ASSISTANT DIRECTOR FOR INSTALLATIONS AND LOGISTICS

EDWARD CZAPLICKI, CHIEF, OFFICE OF FACILITIES ENGINEERING

STRATEGIC DEFENSE INITIATIVE ORGANIZATION

COLONEL ROBERT PARKER, USA, DIRECTOR, RESOURCE MANAGEMENT

JOINT TACTICAL C3 AGENCY

COLONEL DONALD SORTINO, USMC, COMMANDER, JOINT INTERFACE TEST FACILITY

OFFICE OF THE SECRETARY OF DEFENSE

HON. WILLIAM MAYER, M.D., ASSISTANT SECRETARY OF DEFENSE (HEALTH AFFAIRS)

STATEMENT OF THE CHAIRMAN

Mr. HEFNER. The subcommittee will be in order.

Today, the subcommittee will consider the fiscal year 1987 request of $762.1 million for Defense Agencies military construction.

Today's hearing will begin in closed session and we will hear from the National Security Agency, the Strategic Defense Initiative Organizaton and the Joint Tactical Command and Communications Agency.

We will then proceed to an open session to cover the remainder of the request. We will begin with the NSA. Mr. Seaberg, you may summarize your statement at this point.

STATEMENT OF DALE SEABERG, ASSISTANT DIRECTOR FOR INSTALLATIONS AND LOGISTICS

Mr. SEABERG. I appreciate the opportunity to appear before you today to discuss the National Security Agency's fiscal year 1987 budget request for military construction and family housing.

I am accompanied today by Mr. Edward Czaplicki, the Chief of the Office of Facilities Engineering. I have asked Mr. Czaplicki to join me since this MilCon request contains two projects involving the road networks surrounding our NSA complex at Fort Meade, and he can detail the specifics of the traffic patterns.

———.

We are consistently faced with the lack of adequate space to house people and machines. I have, as the Assistant Director for Installations and Logistics, the responsibility to ensure our facilities adequately support mission requirements, while at the same time provide a safe environment for NSA employees.

Our fiscal year 1987 MilCon program is a cross-section of projects vital to each of these concerns.

I have submitted a classified statement for the record which describes the fiscal year 1987 programs in greater detail than I will address in my brief oral summary.

I would like to briefly address our submissions. The money requested for the R&E Building is the final appropriation for the building authorized in fiscal year 1986. ———.

Compounding the problem of inadequate facilities is the lack of sufficient space to house personnel, and to perform testing on systems prior to their deployment to the field. ———.

Funding for the connector road and road improvement projects is driven in fiscal year 1987 by construction of the Patuxent Freeway by the State of Maryland.

These upgrades have been designed in response to State designated egress and access ramps from the freeway interchanges onto the NSA complex.

With the chairman's permission, I would like to have Mr. Czaplicki illustrate to this committee our current traffic patterns, and the changes both our projects, and the Patuxent Freeway, will have on this flow.

Mr. Czaplicki?

Mr. CZAPLICKI. Would you like me to illustrate this?

Mr. HEFNER. Please proceed.

STATEMENT OF EDWARD CZAPLICKI, CHIEF, OFFICE OF FACILITIES ENGINEERING

Mr. CZAPLICKI. This is the NSA complex at Fort Meade. We have experienced ——— in terms of parking and traffic in the last four years.

It is highlighted by these three buildings, which are either under construction or beginning construction this year.

The problem we have, in addition to a ——— in traffic and parking, is this black line here, the Patuxent Freeway, under construction by the State of Maryland, Federal Highway Department, Department of Interior.

The freeway is within a half a mile of our complex today, and within the next three and a half years, will traverse the front of our complex.

Our request includes two projects this year: One, to upgrade these main arteries, to become feeders to interchanges which in turn feed the Patuxent Freeway.

And the second request is for a connector that traverses private property on to the Baltimore-Washington Expressway. The reason for this road is we have 44 percent of our traffic entering our complex today, west to east-bound on this road, and 17 percent of which comes southbound and then east.

This connector road will take that 17 percent of our traffic. We have had 28 accidents over a seven-month period on this road due to the pure volume of the traffic.

The roads aren't designed for the level of traffic coming on them, ——— so the long and short of it is, these roads are essential, and must be ready at the time the freeway comes in front of us.

The impact of not having these roads will be a virtual gridlock within our complex, when we will high-speed traffic coming on to single-lane roads.

The Patuxent Freeway through Fort Meade is a $105 million project. The Department of Interior is funding a bridge over the Baltimore-Washington Parkway, and the Military Traffic Management Command is funding the interchanges as part of the Defense Access Highway Program, and our responsibility is to upgrade our internal road complex, and the price tag is $4.4 million for the roads, $5.2 million for the connector road.

Mr. Hefner. Thank you.

How many total miles of road is that?

Mr. Czaplicki. This north-south road here is approximately a mile and a half, as well as the east-west road. About a mile and a half.

This connector is approximately a half-mile long, with a bridge over the B–W Expressway. A bridge would be restricted, the use of which would be restricted to NSA employees, as part of our effort to secure this compound.

Mr. Hefner. Okay.

Mr. Seaberg. I am sure you understand why we consider these two roadway projects so important.

The dollars for the TEMPEST shielding of the Operations 1 Building roof at the Fort Meade complex are being requested concurrent with the replacement of the roof of this facility.

The Operations 1 roof is at the end of its useful life and must be replaced at a cost of approximately $9 million. This is an effort on the part of NSA to reduce the cost of the overall shielding of the Operations 1 and Headquarters Buildings.

Finally, our fiscal year 1987 family housing program is part of a continuing endeavor to ensure adequate quarters are available to personnel residing in various worldwide locations. Their efforts in perpetuating NSA's vital overseas mission must be considered.

In view of time limitations, and the detail our formal statement provides each project, I would like to conclude my opening statement. We are prepared to answer questions the committee may have regarding our fiscal year 1987 request.

Thank you, Mr. Chairman.

[The statement of Mr. Seaberg follows:]

Military Construction Program, Family Housing, Defense Appropriation, Statement of Support of the FY 1987 Budget Request Before the House Appropriations Committee by Dale A. Seaberg, Assistant Director for Installations and Logistics, NSA/CSS

INTRODUCTION

Mr. Chairman and members of the Committee: I appreciate the opportunity to appear before you today to discuss the National Security Agency's FY 1987 budget request for Military Construction and Family Housing. I am accompanied by Mr. Edward Czaplicki, Chief of the Office of Facilities Engineering. Our program request focuses on three major concerns: operational necessities, major road upgrades, and housing needs for overseas personnel. Each request is indicative of the myriad of elements needed to maintain the mission of the National Security Agency. The FY 1987 MILCON request consists of the second portion of a FY 1986 incremental funding authorization, and five other major MILCON projects for a total cost of $71.3 million. Our family housing FY 1987 budget has 4 parts: lease, operation and maintenance, construction, and improvement which total $6.7 million.

I will now discuss each project.

R&E BUILDING—$53,700,000

(U) NSA is requesting appropriation of the remainder of the funds authorized in FY 1986 for the incremental funding of the Research and Engineering (R&E) Building. ———.

CONNECTOR ROAD—$5,200,000

This project will allow the land acquisition and construction of a dedicated directional road connection and partial interchange from the NSA complex at Fort Meade to the Baltimore-Washington (B-W) Parkway. The acquisition of ten acres of land and construction of supporting features such as ramps, bridges, signage and utilities will also be included.

The construction of the connector road is a vital part of the Patuxent Freeway project, scheduled to begin construction in FY 1987, by the State of Maryland. This Freeway is a massive undertaking by the State to improve roadways. The cost of only a small segment of the freeway, from Route 29 to Route 3 is $103M. ———. The existing access roads are now operating at levels beyond their capacity. This situation has become a safety hazard, particularly over the last year, with 28 accidents in a seven month period. The completion of the Freeway will only exacerbate this situation.

In March 1984, the Military Traffic Management Command (MTMC) completed a major traffic impact study. The study recommends the construction of this connector road to the B-W Parkway in response to the effects of the Freeway on NSA traffic. The connector road is requested in FY 1987 to accommodate the Freeway construction. As the road networks at NSA, and the volume of traffic using them is changing, we must act accordingly to protect the safety of our employees.

ROAD IMPROVEMENTS—$4,400,000

The second initiative strongly influenced by the Patuxent Freeway is the road improvement project which will upgrade the road network on Fort Meade that serves the NSA complex. The project will align the road network to conform with the new Patuxent Freeway, designed to follow the western boundary of the NSA compound. The construction of the Freeway has required NSA to address the reorientation of the north/south and east/west access and egress routes. This project will provide new pavement, signalization, drainage structures, utilities relocation, and other features to improve the road network.

The Patuxent Freeway is the driving force in rehabilitating NSA's road network. Our critical situation will be out of control if no improvements are made when the freeway is built. The failure to adjust the road network will result in a "gridlock" traffic pattern. This occurs when the grid pattern of the roads, which have limited points of entry and exit, create a traffic jam at one intersection that backs up, and clogs all other local intersections. As a result, cars within the road network will be unable to exit. This gridlock will create havoc in and around the NSA complex.

Both the State of Maryland and the Military Traffic Management Command recommended the improvement of the internal road network as a means of controlling the serious traffic problem NSA is experiencing. It is imperative that NSA take steps to accommodate the changes to the road network as a result of the Patuxent Freeway.

TEMPEST SHIELDING—OPS 1 ROOF—$1,000,000

This project will provide an electromagnetic shield for the Operations Building 1 (OPS 1) roof, at the Fort Meade complex. This portion of securing NSA facilities is being done concurrent with the replacement of the roof of this facility. The OPS 1 roof is at the end of its useful life and must be replaced at a cost of approximately $9M. The OPS 1 Building was completed in 1957, and the roof was last replaced in 1972. Shielding the roof in conjunction with the roof replacement is an effort on the part of NSA, to reduce the cost of the overall shielding of the OPS 1 and Headquarters Buildings. NSA currently builds TEMPEST features into individual pieces of equipment. It is NSA's goal to ultimately shield buildings versus equipment, and realize a yearly savings of $4.5M.

Postponement of replacing the OPS 1 roof is not feasible. The roof must be replaced, and funding for TEMPEST shielding in FY 1987 is essential to avoid the exorbitant cost of retrofitting a new roof.

FAMILY HOUSING DEFENSE APPROPRIATION—$6,744,000

I would now like to address our FY 1987 Family Housing Defense Appropriation budget request. Our program is designed to adequately satisfy the housing needs of civililan and military members assigned to overseas locations.

FORT MEADE—RESEARCH AND ENGINEERING FACILITY

Mr. **Hefner**. Would you give me a brief update on your progress on the $75 million research and engineering facility, and we appropriated $21.3 million in 1986.

Mr. **Seaberg**. Yes, sir, that will be in contract by the end of this fiscal year.

Mr. **Hefner**. Are you confident that the cost estimate is valid and when do you anticipate a construction award on this project?

Mr. **Seaberg**. Yes, sir.

Mr. **Hefner**. A contract award this year?

Mr. **Seaberg**. Yes, sir.

Mr. **Hefner**. You just told us about the $9.6 million for the roads at Fort Meade. Thank you, sir.

[Clerk's note.—Questions submitted by Mr. Hefner follow:]

Question. The need for a connector road from Fort Meade into the Baltimore-Washington Parkway is based on a study by the Military Traffic Management Command. Did this study take into account the effects the other proposed improvements to Fort Meade's road system will have?

Answer. Yes. The Military Traffic Management Command (MTMC) study evaluated the impact of the planned development of the NSA Headquarters complex and the impact of the construction of the Patuxent Freeway by the State of Maryland. MTMC concluded that there were serious traffic needs for both improved access to the Headquarters complex and improvements to the internal road network. MTMC recommended construction of the connector road, and the Federal Highway Administration (FHWA) determined that this new connection to the Baltimore-Washington Parkway "is feasible and should be constructed." MTMC's recommendations have been programmed into FY 1987 military construction projects: Connector Road and Road Improvements. These coordinated projects will improve access to the complex and upgrade the internal road network. Fort Meade has been a participant in this coordinated effort.

Question. Why is it necessary to acquire land for the connector road and what is the cost per acre?

Answer. The Connector Road project requires the acquisition of land, since it is necessary to cross private property to gain an additional access route from the Baltimore-Washington Parkway. It is standard Federal Highway Administration (FHWA) procedure to provide a lump sum cost estimate for land and other improvements as opposed to a cost per acre dollar amount. The current cost estimate included in the DD 1391 for the land acquisition is $1.1 million and is based on guidance from the FHWA feasibility study estimate for land acquisition and associated costs for this project. However, a real estate appraisal for the estimated ten acres required for this project will be done by the Corps of Engineers. This appraisal is expected to be performed in the third quarter of FY 1986, following the provision of an exact legal description of the required property by the FHWA.

Question. Why are two bridges required for this connector road?

Answer. The two bridges are required because it is necessary for the connector road to cross over both the Baltimore-Washington Parkway and Old Clark Road. Old Clark Road is a private road that provides the only access to the northeastern portion of the tract of land crossed by the connector road. Construction of two bridges is the most cost-effective means of crossing both roadways. The National Park Service has requested preservation of as many trees as possible and minimal disruption of the land along the Baltimore-Washington Parkway. Two separate bridges have the least impact on this surrounding area. These two bridges will also provide the best means for NSA to control traffic access to the NSA complex for security reasons.

Question. Explain the requirement for $579,000 for protection of sensitive facilities in connection with the road improvements project.

Answer. In a future year program(s), it is NSA's intention to improve security measures at the Fort Meade complex. These proposed measures will interface in many areas with the FY 1987 road improvements initiative. As a means of avoiding the future cost of removing and replacing these new road improvement measures, these items were incorporated into the road improvements project and identified as "Protection of Sensitive Facilities." This work involves: concrete work for channelizing traffic; concrete island work for guard houses and visitor control centers; and conduit and pipes under the road areas which would provide service to the guard houses and visitor control centers.

Question. Explain the requirement for $183,000 for landscaping in connection with the road improvement project.

Answer. The project will improve seven of the nine major roads within the Headquarters complex. There will be improvements to 17,500 lineal feet of roadway with an associated requirement to establish vegetation along approximately 24,500 lineal feet of roadside. Funding is required to return all broken ground to at least the same condition as existed prior to construction to preclude erosion. This work includes finished grading of disturbed ground, grading of swales, provision and placement of topsoil on graded areas, seeding and mulching, and sodding of areas that are affected by significant water flow. It also includes the planting of both new and replacement trees and shrubs along entry points.

[CLERK'S NOTE.—This concludes Mr. Hefner's questions.]

Mr. SEABERG. Thank you.

Mr. HEFNER. We will now turn to the Strategic Defense Initiative in their request for $10.3 million in fiscal year 1987.

This is the first request for the military construction in connection with this Strategic Defense Initiative, and we welcome Colonel Robert Parker.

STATEMENT OF COLONEL ROBERT PARKER, USA, DIRECTOR, RESOURCE MANAGEMENT, STRATEGIC DEFENSE INITIATIVE ORGANIZATION

Colonel PARKER. Thank you for the opportunity to appear before your subcommittee. I am Director of Resource Management at the Strategic Defense Initiative Organization.

I appear before you on behalf of Lieutenant General Abrahamson, Director, SDIO, in reference to the fiscal year 1987 military construction request. The SDIO is requesting authorization and appropriation of $10.3 million for four military construction projects to support research and development technology efforts.

The SDI is a research program, aimed at examining technologies that could support developing a defense against ballistic missiles. Our request of $10.3 million is necessary to support efforts to provide the essential technical data to a future President and Congress so a sound decision can be made about the feasibility of implementing a defense strategy against ballistic missiles.

To support this research effort, we will require new facilities and modifications to existing facilities at White Sands Missile Range (WSMR), New Mexico; Kwajalein Missile Range, Marshall Islands; Edwards Air Force Base, California; and the Pacific Missile Range, Barking Sands, Kauai, Hawaii.

Briefly, I would like to discuss a few of the salient points concerning the four projects.

The first project, totaling approximately $1.9 million, is located at White Sands Missile Range. It provides a missile launch complex to include support facilities. This project is required to test and evaluate technologies involved with the high endoatmospheric defense interceptor (HEDI) system.

HEDI is a non-nuclear hit-to-kill interceptor operating within the atmosphere. It is the last tier of the multi-tiered SDI. Existing facilities will be modified and upgraded to minimize project costs.

The second project, totaling approximately $1.3 million, is for target launch facilities at the Kwajalein Missile Range. These facilities are required for support of the advanced interceptor concepts testing programs.

This is a proof-of-principle program which incorporates off-the-shelf hardware for interceptor missiles launched against target vehicles within the Kwajalein Mid-Atoll Corridor. Existing facilities will be used to the maximum extent possible.

The third project, totaling approximately $4.2 million, is for a rocket propulsion test facility at Edwards Air Force Base. This facility will accommodate essential space-based kinetic kill vehicle booster technology experiments in support of the kinetic energy program.

No other rocket motor testing facility can provide the operating parameters ——— for this technology development activity.

The fourth and final project, totaling approximately $2.9 million, is an intermediate range booster system (IRBS) launch complex at the Kauai test facility.

The IRBS provides a low-cost generic SDI target delivery capability into the Kwajalein Atoll to supplement the very limited number of Minuteman I boosters. The data obtained from these experiments will assist SDI program engineers in development methods of birth-to-death tracking and discrimination. Additionally, by examining the effects of atmospheric reentry on damaged RVs, the potential for aero thermal kill can be assessed.

Although the aforementioned projects represent only a fraction of the total cost of SDI, their importance to the overall success of the program cannot be questioned. In total, the projects proposed for fiscal year 1987 at WSMR, Kwajalein, Edwards and Pacific Missile Range are significant first steps in examining the feasibility of ballistic missile defense.

I, therefore, request you authorize and appropriate the required funding for these four projects.

Mr. Chairman, that completes my prepared statement. Again, I thank you for the opportunity to appear today and welcome your questions.

USE OF R&D FUNDS FOR CONSTRUCTION

Mr. Hefner. Before we discuss the four facilities requested with military construction funds, I would like to discuss the use of research and development funds for construction.

In January, the committee was notified of the use of $7.7 million in R&D funds for construction at various locations in connection with SDI. Briefly outline the policy of using R&D funds for construction.

Colonel Parker. Section 10, U.S. Code 2353, stipulates whether funds should be authorized for experiments or military construction. There are two basic criteria for determining this. One is whether the facility is going to have multi-uses, other people can use it, and another is whether it is located on a military installation. If both of these conditions are met, military construction funds are sited.

If it not on a military installation or if it is a one-time unique thing, R&D funds are used. Because of the very specific guidelines in these areas, we have money in both R&D and military construction for SDIO.

Mr. Hefner. Don't we get into a real fine line in this area?

Colonel Parker. All of these were examined by our Legal Department in the DOD to determined which appropriation they should be in. There are normally a lot of questions about the proper appropriation, so we took it to the legal people. They looked at all of them, and decided which appropriation they should be in.

Mr. Hefner. There are all sorts of legal people. A couple of years ago, we had some interpretations, some legal decisions, they said the Legal Department didn't understand, and said in report language that you won't do so-and-so, and they had trouble interpreting that, so I am not all that impressed with some legal opinions.

Colonel **Parker**. It was also the Corps of Engineers and the military construction personnel in DOD. BMD, which was the forerunner of SDI, also had money in both military construction and in R&D.

CONTROL OF FACILITIES CONSTRUCTED WITH R&D FUNDS

Mr. **Hefner**. Describe specifically how the proposed modifications to the building at Los Alamos Laboratory for $3.2 million and the new facility at Brookhaven National Laboratory for $1.6 million fit into the definition for R&D funded construction.

Colonel **Parker**. There, one of the main things, sir, is that they are not constructed on military installations. Sandia is owned by the University of California. They are not our property, so we cannot do military construction on that property.

Mr. **Hefner**. What happens to this when you construct the facility? Does this become the property of the University? Do you have a lease agreement, or what?

Colonel **Parker**. Each contract is worked out separately, sir, and that is part of the agreement, who maintains control of the property once it is finished, we can get you that for the record.

Each one is negotiated individually.

[The information follows:]

Ownership and accountability of facilities constructed and capital equipment installed on DOE property shall vest and remain with DOE. Ownership and accountability for all personal property furnished by or acquired at the expense of DOD shall vest and remain with the DOD. In this regard, the provisions of Title 10 USC, Section 2353, as stated below applies:

1. A contract of a military department for research or development, or both, may provide for the acquisition or construction by, or furnishing to, the contractor, of research, developmental, of test facilities and equipment that the Secretary of the military department concerned determines to be necessary for the performance of the contract. The facilities and equipment, and specialized housing for them, may be acquired or constructed at the expense of the United States, and may be sold to him at fair value. This subsection does not authorize new construction or improvements having general utility.

2. Facilities that would not be readily removable or separable without unreasonable expense or unreasonable loss of value may not be installed or constructed under this section on property not owned by the United States, unless the contract contains—

a. a provision for reimbursing the United States for the fair value of the facilities at the completion or termination of the contract or within a reasonable time thereafter;

b. an option in the United States to acquiure the underlying land; or

c. an alternative provision that the Secretary concerned considers to be adequate to protect the interests of the United States in the facilities.

3. Proceeds of sales or reimbursements under this section shall be paid into the Treasury as miscellaneous receipts, except to the extent otherwise authorized by law with respect to property acquired by the contractor.

Mr. **Hefner**. All right.

Explain the eventual goal and purpose of the Small Space Booster Critical Component Technology Development Program and why a $4.1 million building is required to support it.

Colonel **Parker**. Yes, sir. One of the critical things in SDI is to make things small and light enough so it is economical to put into space.

One such thing, is a new technology using beryllium, a toxic chemical that can be used to make rockets faster, smaller and more powerful, so we don't have to lift as much into space.

This facility will not only check this at a high altitude to see how it works, but it will also have a containment vehicle to capture all the exhausts, so they are refined and nothing ——— into the atmosphere.

To accomplish this when the missile is fired, and to capture ——— take through scrubbers, through pumps, and other types of filtering methods so nothing is lost.

One of the critical things we found is that anything that is launched into space right now costs more to launch than the satellite that goes into space.

This is true with the shuttle. We are trying to get things as light as possible, so we don't have to spend a lot of money to get them into space.

Mr. HEFNER. What is the toxic nature of beryllium?

Colonel PARKER. I am not qualified to answer that. We are working with EPA and the safety people to make sure all things are okay.

Mr. HEFNER. Please provide that for the record.

Colonel PARKER. Yes, sir.

[The information follows:]

Beryllium can be toxic to humans. Inhaling Beryllium fumes or small dust particles can produce a fibrotic lung disease called "Pulmonary Gramulomatosis". Beryllium in its solid (non-aerosal) form is essentially non-toxic. Exposure to small particles during mining, machinery or welding can produce the fibrotic lung condition. The inhaled particles produce a scarring reaction in the lung, which makes the lung stiff, causes difficulty in breathing and impairment of oxygen transfer to the blood. There is still an open question of whether beryllium is or is not carcinogenic. Acute doses (i.e., in dose over short time) can result in Fulminating Pneumonia. A chronic exposure (low does over longer time) results in the fibrotic form of the lung disease. The American Conference of Governmental Industrial Hygienists (ACGIH), a voluntary standards body, has classified beryllium as A-2 (a chemical substance or substance in an industrial process suspected or producing cancer.) Patients with Fulminating Pneumonia are treated for the pneumonia and often recover fully. There is no known treatment for Fibrotic lung disease. The Department of Labor, Mine Safety and Health Administration has published standards (30 CFR 56/57.50001) which state that a facility may not exceed .002 milligrams per cubic meter of air.

U.S. industry has done an outstanding job of assuring safe practices in the mining, refining and manufacturing of beryllium and beryllium alloys. There is no known case of the Fibrotic lung disease resulting from the mining of beryllium in the United States. A few cases apparently have been reported in manufacturing but if industry follows existing regulations and guidelines, no serious problems in working with beryllium should result.

GROUND-BASED LASER

Mr. HEFNER. The Department is planning to build a ground-based laser which is estimated to cost approximately $400 million. Can you tell us the status of the development of this system and when you anticipate a budget request for it?

Colonel PARKER. There are studies going on about that right now. The exact nature of the FEL, where it will be located, has not been determined yet. It will probably appear in the 1988 budget.

There are some parts in the fiscal year 1987 budget, but the final location has not been determined.

They are trying to get all the facts together. We can get you that for the record.

Mr. MURRAY. When the decision is made, do you anticipate a ground-based laser itself will be requested for military construction funds or R&D funds?

Colonel PARKER. Depends where they put it. There are two possibilities right now. The way it is in the budget right now, it is under the R&D funds, and that will be putting it ——— in California at Lawrence Livermore.

The other option is to put it at White Sands Missile Range, and that would be military construction.

Mr. MURRAY. As I understand the categories, the R&D stuff is fundable with R&D funds, because it is used for testing essentially, and not as a weapon, so I think we would like to pursue that a little bit more for the record in terms of whether $400 million will be spent to test this system, or whether it will be built for potential futures.

Colonel PARKER. For the FEL?

Mr. MURRAY. The laser, $400 million will be spent just to test the feasibility of the system?

Colonel PARKER. Right now, that is the R&D portion, and I do not have the information to discuss it.

Mr. HEFNER. Could you supply it for the record?

Colonel PARKER. Yes, sir.

[The information follows:]

The FeL project includes two phases, research and experimental. The preliminary research on FeL technology is being conducted now at the Lawrence Livermore National Laboratory (LLNL) using Research and Development (RDTE) funds. The Technology Integration Experiment for the FeL, to show its potential utility as a gound based weapons systems, will be conducted at the White Sands Missile Range (WSMR).

Because the FeL is a very large device, some construction will be required at both the LLNL and the WSMR. The limited scale construction at the LLNL is planned to be financed with RDTE funds as part of the basic research and technology program. The construction at WSMR, however, will be more complex and involve a longer term facility. That construction is planned to be financed with military construction funds. Facility design at both locations is scheduled for FY 1986 with actual construction to start as necessary in FY 1987 and FY 1988.

[CLERK'S NOTE.—The following questions were submitted by Mr. Hefner:]

LAUNCH MODIFICATIONS, WHITE SANDS MR

Question. Explain briefly the requirement for the $1.9 million for launch complex modifications at White Sands Missile Range in connection with the High Endoatmospheric defense interceptor system (HEDI). Also include an explanation in layman's terms of the overall purpose of this system.

Answer. The missile launch complex at the White Sands Missile Range (WSMR) will include a new launch pad for the High Endoatmospheric Defense Interceptor (HEDI) system, modification of two underground equipment rooms, and the modification of a missile assembly building and launch control building. Additional support facilities will be required to support the primary facilities. The launch complex will be utilized to test and evaluate technologies involved with the HEDI experiment. The objective of this project is to resolve critical technical issues and validate component technologies associated with non-nuclear kill of strategic re-entry vehicles in the atmosphere. HEDI constitutes, within the SDIO multitiered architecture, a component of the last layer of defense. The first phase of the HEDI flight test validation program will be conducted at WSMR using HEDI interceptors against benign or medium performance targets to understand vehicle performance and phenomenology to support a decision to contract for the second phase. Phase I will also define the critical technology issues and the test methodology necessary to solve these issues using ground tests wherever feasible. Phase II encompasses the acquisition, integration, assembly, testing and evaluation of a HEDI flight vehicle against representative strategic targets at Kwajalein Missile Range. All testing is within the ABM treaty.

The HEDI interceptor will use a modified existing propulsion system to boost an infrared optically guided kill vehicle to a predetermined intercept handover point. The interceptor is capable of receiving target position updates from ground based guidance sources, making on-board calculations of guidance, navigation and/or or propulsive/kinematic deviations to complete the intercept.

EDWARDS AFB—KINETIC KILL VEHICLE MOTOR EXPERIMENTS

Question. Why is this effort occurring at Edwards AFB, California?

Answer. The Air Force surveyed existing facilities and determined that no existing facilities could provide the safe operating parameters required to conduct full size space based kinetic kill vehicle motor experiments with beryllium based solid propellant. The toxic nature of beryllium fumes, dust particles and other safety constraints removed several existing motor testing facilities, such as Arnold Engineering Development Center, from consideration. The Air Force Rocket Propulsion Laboratory (AFRPL), located at Edwards AFB, is responsible for the small space booster critical technology development program and is the SDIO agent for managing this program. Finally, the selection of the AFRPL site is in keeping with the roles and missions of past similar rocket technology development programs. The Edwards AFB location makes maximum use of existing rocket test facilities and is considered less expensive and safer than all existing rocket motor testing facilities.

Question. Is the $2.9 million requested sufficient to complete this launch complex?

Answer. The $2.9 million requested for the Intermediate Range Booster System (IRBS) is considered sufficient to complete the launch complex. The launch complex consists of a launch pad, a bunkered control building, a storage/assembly building, and support facilities necessary to launch a Polaris A3.

[CLERK'S NOTE.—This concludes Mr. Hefner's questions.]

Mr. HEFNER. We will now hear from Colonel Don Sortino of the Joint Tactical Command, Control and Communications Agency, on their request for $9.9 million. You may summarize your statement at this point.

Colonel, you may proceed.

STATEMENT OF COLONEL DONALD SORTINO, USMC COMMANDER, JOINT INTERFACE, JOINT TACTICAL C3 AGENCY

Colonel SORTINO. I wish to thank the chairman, and the members of the subcommittee for allowing me to appear today. I would, with your permission, sir, like to read a short summary statement.

Mr. Chairman, it is important that the committee be made aware of the importance and need for consolidation of the Joint Tactical Command, Control and Communications Agency's Test Centers and related military construction program.

I sincerely appreciate the time to explain the need for and the efficiencies to be realized by this construction. First, the agency was established to ensure interoperability of Tactical Command, Control and Communications Systems for joint and combined operations.

In carrying out this mission, we must write standards and interface specifications which must, when implemented, be tested to certify their validity.

Second, it has been traditional to test communications and command and control as separate entities, and not as part of the system.

Experience has proven to us that this causes problems. Frequently, interoperability problems have been found in the field when communications and command and control have been tied together.

There are almost always systems and network management problems. It is our firm conviction that integrated command, control and communications testing is necessary to fully address the identification and solutions of interoperability problems.

Third, the JTC-3-A, when it was formed brought together two geographically separate and dissimilar test facilities. One for communications testing and one for command and control testing. Since then, a decision has been made out of necessity to develop a third test bed, and network to support development of the technically unique Tactical Data Information Link-J, anti-jam standard.

Fourth, to continue interoperability testing in separate test beds is less effective and efficient from an end-to-end system and network perspective.

The projected testing and certification workload for three separate growing test beds will result in increases in higher manpower, operations and maintenance, and contracting costs, than a single test bed would.

It has been estimated that through the consolidation of the test beds, approximately 59 spaces can be saved, 29 Department of Defense spaces and 30 contractor spaces.

This, along with the consolidation, the lower O&M cost, the lessening of the duplication of equipment requirements will result in approximately $5.6 million a year savings to the government.

Fifth, consolidation is consistent with Congressional and Department of Defense objectives of reducing the proliferation of test bed facilities.

When completed, the JTC-3-A will have cut its testing infrastructure by two-thirds.

Sixth, Fort Huachuca has been selected as the best location for this consolidation because, one, it has the largest sunk investment.

Two, it has a friendly RF environment with minimum conflict with commercial users. Three, it has sufficient space for growth simulators and real-life tactical setups, and four, it collocates with the United States Army Test Center, so we can take advantage of some of their services and facilities.

Finally, a 93,000-square-foot environmentally controlled facility at a cost of $9.9 million is needed to house test center computer systems. simulation equipment, other electronic equipment and operations and support functions.

It will be located adjacent to our 16-acre test facility. The 35 percent design completed drawings have been reviewed and the architectural engineering design firm is scheduled to complete the design in July of this year.

Construction is scheduled to begin in April 1987, and will be completed in April 1989.

Mr. Chairman, this completes my summary, and I would be pleased to answer any questions that you might have.

[The statement of Colonel Sortino follows:]

HOLD UNTIL RELEASED
BY THE COMMITTEE

STATEMENT OF

COLONEL (USMC) DON F. SORTINO

COMMANDER, JOINT INTERFACE TEST FORCE

JOINT TACTICAL COMMAND, CONTROL AND COMMUNICATIONS AGENCY

BEFORE THE

SUBCOMMITTEE ON MILITARY CONSTRUCTION

HOUSE APPROPRIATIONS COMMITTEE

WEDNESDAY, MARCH 5, 1986

INTRODUCTION

Thank you Mr. Chairman, for the opportunity to make this committee aware of the importance of the military construction project supporting our Agency's Joint Tactical Command, Control and Communications Test Center (JTC3TC). I am Col Sortino, Commander of the Joint Interface Test Force, one of the field activities subordinate to the Joint Tactical Command, Control and Communincations Agency (JTC3A) and responsible for two-thirds of the capabilities to be consolidated within the programmed test center.

PROGRAM BACKGROUND

A charter responsibility of the Joint Tactical Command, Control and Communications Agency (JTC3A) is to "ensure joint and combined tactical C3 interoperability." On 9 October 1985, this responsibility was formally expanded to include tactical interfaces with intelligence systems, with the much needed updating of DoD Directive 4630.5, "Compatibility and Interoperability of Tactical Command, Control, Communications and Intelligence Systems" that members of congress were instrumental in achieving. You will see the acronym C3I replacing C3 in many aspects of the Agency's business as a result of this action.

When the Agency was formed, it included two test capabilities. One is managed by the Joint Interface Test Force (JITF), at Ft Monmouth, New Jersey which I command. The other is managed by the Joint Test Element (JTE), at Ft Huachuca, Arizona.

The Joint Interface Test System (JITS) managed by the JITF uses a distributed test network to accomplish Command and Control (C2) system certification testing. This includes, for example, the interface between an Air Force AWACS and an Army Hawk missile battalion. Satisfactory performance results in a recommendation to the JCS to certify the interface for use in joint and combined operations. The JITS is also used for testing the standards for, and utility of, the Joint Interoperability of Tactical Command and Control System (JINTACCS) message text format (MTF) program.

Whereas the JITF, at Ft Monmouth, manages testing of command and control procedural interfaces, the JTE at Ft Huachuca currently operates a joint test facility (JTF) to address tactical communications technical interfaces. It was the Joint Tactical Communications (TRI-TAC) Office test bed for development test and evaluation (DT&E) and operational test and evaluation (OT&E). The JTF still supports multi-service and service unique DT&E/OT&E, but is also transitioning to the Agency mission of technical interface certification testing. The JTE manages a large inventory of TRI-TAC and other tactical communications equipment and a sixteen acre central test facility complex. This facility can be quickly reconfigured to support various test scenarios and serve as the focal point for data collection, simulation, and interface with tactical equipment deployed to remote locations at Ft Huachuca and throughout Arizona.

DISTRIBUTED TACTICAL TEST NETWORK (DTTN)

The Agency is in the process of developing a Distributed Tactical Test Network (DTTN).

It is needed for developmental certification testing of the Joint Tactical Information Distribution System (JTIDS) operating system software standard. This standard is referred to as Tactical Data Information Link-J (TADIL-J). This additional test network is required because of the unique technical characteristics of the TADIL-J standard that prevents testing using the existing JITS. The test control facility is currently being developed in conjunction with the Navy at the Naval Ocean Systems Center at San Diego, California. Upon completion of the R&D oriented developmental certification testing, the DTTN will be used for certification testing of C2 systems that employ JTIDS. However, the central control facility must be relocated away from the Naval Ocean Systems Center at the completion of developmental certification testing in the early 1990s, to provide space for other planned Navy programs.

INTEGRATION AND CONSOLIDATION OF TEST FACILITIES

Operating three geographically separated test facilities is expensive in terms of organizational overhead and does not provide for end-to-end systems testing. This has created some inherent shortcomings in the current test concept. For example, JITF C2 testing at Ft Monmouth is accomplished with a relatively benign leased commercial high quality communications network without employing any tactical communications links. It interconnects the JITF facility with Service C2 facilities throughout the U.S., while the JTE tactical communications test facility at Ft Huachuca currently has no routine interface with tactical command and control systems.

To resolve the organization overhead problem and the test concept shortcomings, the Agency initiated action in late 1984 to consolidate its three test facilities. This action will consolidate communications and C2 testing into one C3 test bed, providing more realistic end-to-end interoperability testing.

The Agency's Joint Manpower Program 1990 projected manning for the three geographically separated test facilites is 229 personnel. That includes 119 at Ft Huachuca, 64 at Ft Monmouth and 46 at San Diego. Consolidation of the test capabilities will reduce overhead and consolidate similar functions resulting in contractor savings and a growth avoidance of 29 Agency manpower spaces for a total strength of 200.

WHY LOCATE AT FT HUACHUCA

It was logical to locate the Joint Test Center at one of the three established test facility locations. It was further logical to locate where the largest number of Agency personnel were located, to minimize personnel actions particularly with the civilian work force. It is expected that military personnel actions can be minimized through phasing of normal rotation and attrition.

There is no real estate at Ft Monmouth for such a facility. And, as I previously stated, the DTTN must be relocated away from the San Diego facility at the completion of development certification testing.

Neither San Diego nor Ft Monmouth offer the wide range of on base and off base remote operating locations needed for tactical communications equipment testing.

The electromagnetic environment at Ft Huachuca is very suitable for large scale tactical communications testing. That is, there are no near-by commercial facilities that can be interfered with, or cause interferences with tactical communications equipment testing. And, Ft Huachuca offers a wide range of line-of-sight remote locations and long range tropospheric scatter radio operating site interfaces throughout Arizona.

With the recent completion of the new 12,000 foot runway at Ft Huachuca, tactical C3 equipment can be readily deployed there when needed for interface testing. The runway and local area also support an excellent tactical air/ground maneuver space away from congested metropolitan areas. Consequently, it was unrealistic to consider moving the large inventory of tactical communications equipment and test support facilities from Ft Huachuca to the congested San Diego or Ft Monmouth areas.

MILITARY CONSTRUCTION PROGRAM

No matter where the joint test center is located, a military construction project would be required. None of the three potential locations has a facility to house the relocated equipment and personnel.

A 30,000 square foot TEMPEST protected area (shielded against compromising emanations from the electronic equipment located within the shielded area) is required to house the DTTN equipment and operations areas, and equipment that will be relocated from the JITF. While the DTTN equipment will support both TADIL-J and the JITF TADIL A and B certification testing, we plan to use the current JITF certification testing equipment for combined operations (Allied Systems) interoperability testing in the future. We see this as an inevitable growth area since testing of internationally agreed to standards now under development will be required. The JINTACCS MTF certification testing equipment must also be relocated to the TEMPEST facility.

The military contruction program also includes 63,000 square feet of permanent facilities for the Joint Test Center personnel and Service and Agency personnel or contractor personnel who operate, maintain, and participate in the wide range of C3I interface test activity conducted by the Joint Test Center.

The 93,000 square foot building will be located adjacent to the 16 acre central test facility at Ft Huachuca. The 35% design complete drawings have been reviewed and the architectural engineering design firm is scheduled to complete the design in July of this year. Construction is scheduled to begin in April 1987 and complete in April 1989.

SUMMARY OF BENEFITS

Integration of test facilities will enable C2 certification testing over tactical communications equipment during part of the certification process, instead of testing completely over leased communication circuits. The consolidation will also facilitate certification of interfaces between tactical communications equipment and C2 facilities, providing an integrated end-to-end C3 test capability. The consolidation of test facilities will also reduce projected manning from 229 to 200.

CONCLUSION

This completes my testimony. I would be glad to field any questions on the military construction program, or the Agency's mission of ensuring joint and combined tactical C3I interoperability through certification testing.

CONSOLIDATION OF THE JTC-3-A AT FORT HUACHUCA

Mr. **Hefner**. The decision to consolidate the activities at Fort Huachuca, how many people are going to be moving to existing locations in New Jersey and San Diego, and what is the total military construciton cost of this move?

Colonel **Sortino**. No more than 25 Department of Defense spaces moving from San Diego, Naval System Command to Fort Huachuca, and that is the TADIL-J test bed I mentioned earlier.

Seventy-six spaces, both Military and Department of Defense general service workers, deleted at Fort Monmouth with approximately 64 of those spaces being relocated to Fort Huachuca.

Mr. **Hefner**. The justification indicated that the consolidation of the field and test agencies and three separate test beds into a single facility will occur by 1990. Why are mil con funds required this year?

Colonel **Sortino**. With a two-year construction cost, if we don't start in 1987, we will not have a facility ready to accept this test bed by April of 1989, sir, when we must be considering moving from Point Loma to NOSC. The Navy told us they could develop a test bed and house it there no later than 1990.

They have no space to house this test bed of ours beyond the 1990 time frame. We must move.

Mr. **Hefner**. Your statement alludes to the economies of moving to Fort Huachuca. Was an economic analysis performed on this consolidation? If not, why not?

Colonel **Sortino**. Yes, sir.

Mr. **Hefner**. Your statement says there were economies in moving to Fort Huachuca. Was an economic analysis performed that led you to this conclusion?

Colonel **Sortino**. We have done an economic analysis at the JTC-3-A, where we came up with our $5.6 million savings, and by relocating to Fort Huachuca and consolidation of our three test beds into one.

Mr. **Hefner**. Thank you, sir.

We will now turn to medical contingency hospital request, and we welcome Dr. Mayer.

STATEMENT OF HON. WILLIAM MAYER, M.D., ASSISTANT SECRETARY OF DEFENSE

Dr. **Mayer**. I am very much aware of the concerns that the committee has raised in the past, a lack of coordinated planning effort, and I am on record as agreeing very strongly that much more needs to be accomplished in that regard.

The report of the Blue Ribbon Panel that the Congress mandated last year on hospital sizing also addressed specifically this lack of overall planning, and made some specific recommendations about it with which both Secretary Weinberger and I have very strongly endorsed.

In approving part of our construction request last year, Congress directed that funding wouldn't be available until I verified that the facilities we were talking about, particularly in Kimhae, Korea, and Guam, were consistent with a coordinated worldwide plan for these facilities, which emphasizes host nation support, and maximum use of existing facilities.

We have discussed this issue at length with your staff, and they have been very helpful. I am confident that I will be able to submit the Northeast Asia portion to you very shortly.

CONTINGENCY HOSPITALS OVERSEAS

Mr. **Hefner**. Last year, the Congress provided $19.4 million for mobilization hospitals overseas on the condition that none of the funds were to be obligated until, one, Dr. Mayer certified that the facilities were consistent with a coordinated plan for contingency medical facilities; and, two, a worldwide plan for these type facilities was submitted.

What is the status of your certification and the worldwide plan and what size construction program do you envision?

Dr. **Mayer**. We did submit a plan last year, but it was not altogether adequate, so my staff has worked with the staff of the committee to determine exactly what is felt should be in that plan, and it is progressing very nicely.

A worldwide plan is so mammoth that we will do it by theater. We have had approval to do this. The Northeast Asia part of the plan will be first, and it should be ready within the next two to three weeks.

The things I am proposing today, Guam and Korea, will surely and inevitably be certifiable and in keeping with the worldwide plan.

For example, we only have today by the greatest stretch of the imagination 900 beds in Korea. We clearly need far more than that, and we only have about 5,374 beds in the whole Pacific.

The Services' requirements during peak load are for about 20,000 beds, so there is no doubt in my mind that I will be able to certify very clearly in two or three weeks when the Northeast Asisa portion of the plan is available, that these two facilities fit very well.

In fact, they are a cornerstone of the whole Northeast Asian plan, so we are asking for—do you want the exact amounts?

Mr. **Hefner**. The original plan called for 225 hospitals overseas, with a bed capacity of 55,400. Will the new plan have a similar requirement?

Dr. **Mayer**. I don't think the requirement will vary greatly. We have established a system for determining requirements, both manpower and beds, that is much more consistent across the Services than ever before, and I think we can give you a plan that we have real confidence in as a result of that.

Mr. **Hefner**. What steps have you taken to improve coordination of requirements for these facilities among the Services?

Dr. **Mayer**. We have taken a very important step which I will talk about more in the opening statement, but mainly what we have done, on the direction of the Secretary, following the Blue Ribbon Panel's recommendations, is establish a Defense Medical Facilities Office, which is jointly staffed by the three Services, and which will make the final decisions on planning, programming, budgeting and resource allocation, for all of the Department rather than the construction program being fragmented by Service.

Mr. **Hefner**. The committee has received a design notification for a major contingency hospital in Luxembourg. What is the status of this design, why are we going to Luxbembourg to build this type of facility, and is this project in consonance with the coordinated plan yet to be received?

Has the Government of Luxembourg offered any host nation support for medical contingencies?

Dr. **Mayer**. I am not prepared to answer that question, sir. I didn't submit a request for contingency funds. I know for years the Air Force has been trying to establish a facility in Luxembourg, and in fact had an offer some time ago for a very large factory site which would have been ideal in that country. Unfortunately, the owner sold it.

Mr. **Hefner**. Well, the design is about $1 million. Would you look into that, so we can find out more about it?

[The information requested by the Chairman follows:]

The central of Europe currently has an insufficient number of beds to care appropriately for the casualties expected in a conventional scenario. This project will provide the capability for immediate operability of a 1,000 bed combat zone contingency hospital and a 250 bed aeromedical staging facility (ASF). The project is being evaluated within the worldwide integrated readiness plan being developed by OASD(HA) to provide this pre-positioned in-theater capability to avoid any critical delay of immediate casualty care. The 300,000 square foot project is currently programmed in the Air Force's FY 88 Military Construction Program (MCP) at an estimated cost of $17.5 million. The project is in the process of architect/engineer (A/E) selection expected to occur in May 1986. The government of Luxembourg is providing the land upon which to build this project.

Dr. **Mayer**. It will to have to be in accordance with the worldwide plan, no question.

Mr. **Hefner**. Okay, we will open up and then we will have your statement.

[**Clerk's Note**.—Additional questions submitted by Mr. Hefner for the closed session follow:]

MEDICAL CONSTRUCTION

MOBILIZATION AND CONTINGENCY HOSPITALS

Question. What steps have you taken to increase host nation support for medical contingency requirements?

Answer. A major portion of host nation support negotiations include health services requirements. Requested have been hospitals, professional and ancillary personnel, skilled and unskilled labor, transportation, utilities, and improved sites for location of U.S. military hospitals. In Europe, health services host nation support has been requested from ———. A war in Europe will ——— 11 strain the capabilities of the health care systems of all of our Allies. This notwithstanding, the nations have endeavored to provide all that they can in response to our requests. The ——— has provided every category of support, from beds and personnel to transportation and military hospital sites. The other nations have all attempted to meet our requests. Agreements are signed with ———. Agreements are anticipated with ———. The other nations are identifying sites, negotiating for labor, and attempting to refine requirements.

In the Pacific, negotiations are ongoing in ——— for host nation support. Though these requirements are not as extensive as in Europe, assistance from the host nations will go far towards providing wartime support for United States forces committed to defense of the Allies in the Pacific.

Host nation support issues are an important part of the agenda of the Assistant Secretary of Defense (Health Affairs). Dr. Mayer has participated in discussions in both Europe and the Pacific, personally emphasizing his strong regard for the necessity for host nation support. He has directed his Deputy Assistant for Medical Readiness, Brigadier General France Jordan, to oversee host nation support. General Jordan and his staff audit progress of the host nation support neogiations on a continuing basis.

Question. Has the government of ——— offered any host nation support for medical contingencies?

Answer. Yes. The government of ——— has offered industrial sites for storing hospital facilities in peacetime and for erecting and operation in wartime. In addition, skilled and unskilled labor will be made available. The locations of these facilities are convenient to ——— which will greatly facilitate evacuation of casualties. The government of ——— has actively supported our requirements for health services host nation support.

FUNDING FOR CONTINGENCY MEDICAL FACILITIES

Question. Both the Army and Air Force have requested medical contingency projects in their budget. Why are these facility requests not under your control?

Answer. This is attributable to a technical accounting problem rather than a policy issue. In late 1985, when the OASD Comptroller identified the military construction funds to be transferred from the Services to OASD(HA), they identified only those funds against projects with 500 Series Category Codes. The 500 Series encompasses our health care facilities. The Army and Air Force categorized their contingency projects in the 400 Series which covers supply and storage facilities. Since the Navy category codes its Fleet Hospitals in the 500 Series, funds for Navy Fleet Hospitals were transferred to OASD(HA) while the Army and Air Force funds for medical contingency projects were not. As a result, FY 1987 contingency projects are included in the Army and Air Force budgets. There are ten (10) of those projects in FY 87. We have reviewed and supported the requirement for each. This situation will be corrected at the next appropriate budget review with medical contingency construction funds being transferred to Health Affairs. Contingency projects for all three Services will be an OASD(HA) responsibility in FY 1988.

WAR RESERVE MATERIEL

Question. The Air Force continues to program medical war reserve materiel storage projects at numerous locations throughout the United States. The materials stored include supplies and equipment necessary to expand the local hospitals for contingencies and air transportable hospitals. Can you outline the purpose of this program and tell us if it is in consonance with the worldwide contingency medical plan?

Answer. The purpose of the 36 CONUS hospitals designated to expand is to develop and maintain a capability to treat returning casualties. The air transportable hospitals are medical assets which can be deployed with a combat force to locations where medical support is non-existent or needs to be supplemented. Both of these programs are an integral part of the overall Air Force Medical Service plan to provide medical support to our forces during contingencies, worldwide.

[CLERK'S NOTE.—This concludes Mr. Hefner's questions.]

WEDNESDAY, MARCH 5, 1986.

FISCAL YEAR 1987 DEFENSE AGENCIES MILITARY CONSTRUCTION/FAMILY HOUSING PROGRAMS AND TOXIC WASTE

WITNESSES

OFFICE OF THE SECRETARY OF DEFENSE

HON. WILLIAM MAYER, M.D., ASSISTANT SECRETARY OF DEFENSE (HEALTH AFFAIRS)

DEPARTMENT OF DEFENSE DEPENDENTS SCHOOLS

TERRENCE TREPAL, CHIEF, LOGISTICS DIVISION

OFFICE OF THE SECRETARY OF DEFENSE

CARL J. SCHAFER, JR., DIRECTOR, ENVIRONMENTAL POLICY, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (ACQUISITION AND LOGISTICS)

WASHINGTON HEADQUARTERS SERVICES

WALT FREEMAN, DIRECTOR, SPACE MANAGEMENT AND SERVICES

DEFENSE LOGISTICS AGENCY

COLONEL MAXIM I. KOVEL, USA, STAFF DIRECTOR, OFFICE OF INSTALLATION SERVICES AND ENVIRONMENTAL PROTECTION

DEFENSE MAPPING AGENCY

ALLEN E. ANDERSON, DEPUTY DIRECTOR FOR PROGRAMS, PRODUCTION AND OPERATIONS

DEFENSE COMMUNICATIONS AGENCY

DOUGLAS SMITH, CHIEF, PROGRAM AND BUDGET DIVISION

DEFENSE NUCLEAR AGENCY

TOM JEFFERS, DIRECTOR, LOGISTICS AND ENGINEERING

Mr. HEFNER. We will now hear from the remaining elements of the defense agencies in open session.

Dr. Mayer, would you please summarize?

STATEMENT OF HON. WILLIAM MAYER, M.D., ASSISTANT SECRETARY OF DEFENSE (HEALTH AFFAIRS)

Dr. MAYER. Mr. Chairman, I am very pleased to have this opportunity to appear and discuss for you the fiscal year 1987 Defense Medical Construction Program.

First of all, before any details of that program are enumerated, I would like to describe a very important management improvement which we have made in DOD which will affect the entire medical facilities planning and budget allocation process within the Department.

In response to the recommendations of the Congressionally mandated Blue Ribbon Panel on Sizing of Military Medical Facilities, we are in the process of consolidating the medical facilities planning, programming, budgeting and resource allocation functions within the entire Department, across all three Services in my office.

The panel that I referred to, the Blue Ribbon Panel mandated by the Senate, also recommended that we centrally review all existing military medical facilities worldwide; that we select and prioritize all proposed construction; and that we then control the allocation of resources to those projects based on that priority list, and insure that medical readiness requirements are the primary criterion used for sizing health care facilities.

The Secretary has very strongly supported that recommendation, and so have I. For the remainder of this year, we will be working to consolidate these functions and establish the procedures for integrating projects, considering the services' health facilities desires, into a consolidated DOD program. This fits right in with the committee's desire for a worldwide plan. Our prioritization will take into consideration, most importantly, the readiness missions, and also the overseas facilities that we have for family care. Our medical construction plan will play a supporting role in our effort to provide a good, high-quality health care benefit to our approximately 10 million beneficiaries.

To support our efforts the funds requested in 1987 are urgently needed to correct long-standing deficiencies and bring the facilities up to modern and life safety standards.

Our inventory of over 1,100 facilities is aging. Deferral of funding for badly needed modernization projects in these health delivery facilities only mortgages the future, and places tremendous pressure on our O&M budgets to try to maintain the quality of the physical plant, which begs for modernization or replacement.

Of particular interest to this committee, we have requested fiscal year 1987 funding for phase three of the Madigan Army Medical Center at Fort Lewis, Washington, and the final phase for the Composite Medical Facility replacement at Travis Air Force Base in California. The Blue Ribbon Panel recommended, and we did, down-size Madigan from 478 to 414 beds, and the original construction authorization was reduced to $326 million. We are requesting $87.5 million for Travis which represents the final phase of the Travis project, and culminates a cumulative investment of over $200 million appropriated since 1984.

In addition to this, for these two major hospital construction projects that are both well into design, we are requesting funds to initiate construction of two truly desperately needed replacement hospital at Naples, Italy, and Mountain Home, Idaho. Existing facilities at these isolated locations have serious and structural deficiencies. After seeing the facility at Naples and the conditions under which our health professionals and beneficiaries live and work, there is no way we are truly taking care of our own in that medically isolated area.

Other projects included in our request are summarized in my statement. I do wish to point out that recent information provided to the Air Force by the Veterans' Administration, and an agreement signed by them with the VA just last week, are going to allow us to reduce our construction request for a replacement hospital at Kirtland Air Force Base in Albuquerque. As soon as these negotiations are finished we will be able to inform you in time for the mark-up of the scope, cost, and method of acquisition for our alternative facility.

In addition to these, there are a number of health-related projects for which requested funds are still within the Services' budget. I would like to emphasize the importance of these projects and solicit your support for them. Specifically, the health care center to support the new 10th Light Infantry Division at Fort Drum, the first two phases for an addition to the school of Health Care Sciences at Sheppard Air Base, Texas, and funds requested by the Air Force and Army to construct seven facilities to store war material and supplies overseas, which will allow us to preposition medical supplies needed to provide basic lifesaving emergency treatment on the battlefield.

In conclusion, the medical construction program that we are presenting has been developed to support the Department of Defense's policy to provide the highest quality military health facilities to maintain the highest degree of combat effectiveness for the military force; to provide quality health care for active duty military personnel, their dependents and all other authorized personnel; to provide essential teaching and training of the military and medical forces; and to ensure that sufficient capacity exists to support an expanded mission during the period of mobilization or national emergency.

This concludes my summary of my statement.

[The statement of Dr. Mayer follows:]

STATEMENT

HONORABLE WILLIAM MAYER, M.D.

ASSISTANT SECRETARY OF DEFENSE (HEALTH AFFAIRS)

FY 1987 MEDICAL CONSTRUCTION

before the

Subcommittee on Military Construction
Committee on Appropriations
United States House of Representatives
99th Congress

March 5, 1986
11:00 a.m.
Rayburn House Office Building
Room B-300

Not for Publication
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Subcommittee on Military Construction
Committee on Appropriations
U.S. House of Representatives

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE

I am pleased to have this opportunity to appear before you today to discuss the Fiscal Year 1987 Defense Medical Construction Program. I am especially proud this year of improvements we have made to the entire medical facilities planning and resource allocation process.

Blue Ribbon Panel/Establishment of the Defense Medical Facilities Office (DMFO)

We are now in the process of consolidating the medical facilities planning, programming, budgeting, and resource allocation functions of all three Services in my office. The associated resources will be transferred from the Services to Health Affairs beginning in Fiscal Year 1987.

The move to centralize these functions was made in response to one of the recommendations of the congressionally-directed Blue Ribbon Panel on Sizing DoD Medical Treatment Facilities. The Panel's final report, issued in June of 1985, recommended that the Assistant Secretary of Defense for Health Affairs:

--review all existing facilities;

--select and prioritize construction projects;

--allocate resources to those projects; and

--ensure that medical readiness requirements are the primary criteria for sizing health care facilities.

Secretary Weinberger endorsed all of the Panel's recommendations and directed they be implemented without delay. The creation of an OSD-level office to be operational on 1 October 1986, was selected as the best means to carry out facility sizing, programming, allocation of construction dollars, and the establishment of medical design criteria.

The remainder of Fiscal Year 1986 will be a transition period for the Defense Medical Facilities Office (DMFO) during which we will establish the procedures for integrating the Services' health facilities construction projects into a consolidated DoD Program. We look to this new organization to improve cross-Service planning and prioritization of construction projects and most importantly, to ensure that those projects with critical readiness missions receive the highest priority.

Basis for Future Medical Military Construction

Consistent with this emphasis placed on readiness, we intend to propose construction, alteration or acquisition of a military health facility only when one or more of the following conditions exist:

- Current facilities are inadequate to support the medical readiness mission;

- Local civilian and/or federal health care capabilities are inadequate or unavailable;

- Construction replacement, major alteration or acquisition of a military health facility is required to support teaching, training and skills maintenance requirements critical to military readiness; and /or

- Providing care in a military health facility can be demonstrated to be the most cost-effective method of providing authorized health services.

The scope and quality of the projects in all medical facilities construction requests will be closely controlled by the Defense Medical Facilities Office to ensure compliance with this policy and the previously mentioned Blue Ribbon Panel recommendations.

Quality of Care

Another area of in which our medical construction program plays a valuable supporting role is our effort to provide a quality health care benefit to our approximately 10 million beneficiaries. Whether improving the layout of a surgical suite, bringing an inpatient area into compliance with life safety standards, or making an outpatient area more productive, appealing, and comforting, the projects included in our request for medical construction help us to improve the quality of the setting in which our care is provided.

Funds requested in FY 1987 are urgently needed to correct long-standing deficiencies and bring our medical facilities up to modern life/safety standards. Our inventory of over 1100 facilities and over 60 million square feet is aging. Deferral of funding for badly needed modernization projects only mortgages the future and puts tremendous pressure on our operation and maintenance budgets to maintain the quality of a physical plant which really begs for major modernization or replacement.

FY 1987 Program

Our request for medical construction projects in FY 1987 is $337.9 million. This includes $111.9 million for the Army, $42.9 million for the Navy, $182.2 million for the Air Force, and $.9 million for the Uniformed Services University of the Health Sciences. This represents a 4% increase over the $323.8 million requested in FY 1986. There are a number of other health care projects, including several medical readiness projects, which remain in the Service budgets and are not part of this request. I will speak later to the most significant of these.

Of particular interest to this Committee, we have requested FY 1987 funding for Phase III of Madigan Army Medical Center at Ft. Lewis, Washington, and the final phase for the Composite Medical Facility Replacement at Travis AFB, California. Nearly 47% of our request is for the FY 1987 components of these two large hospital construction projects, supported under a phased-funding mechanism.

The FY 1987 request of $72.1 million for Phase III of the Madigan Army Medical Center follows the $11.2 million appropriated in FY 1985 for site preparation and the $26 million which we received in FY 1986 for structural and foundation work. The final phases for Madigan will be requested in FY 1988, FY 1989 and FY 1990. As a result of the Blue Ribbon Panel's recommendations, and FY 1986 congressional action, Madigan has been down-sized from 478 to 414 beds and the original construction authorization reduced to $326.8 million. The bed reduction achieved by eliminating one floor will result in a construction savings of approximately $3 million.

For the other multi-year hospital construction project at Travis AFB, California, we are requesting $87.5 million in 1987. This represents Phase IV or the final phase for the Travis project and culminates a cumulative investment of over $200 million appropriated since 1984.

Besides requesting increments for these two major hospital construction projects, we are also requesting funds to initiate construction of replacement hospitals at Naples, Italy and Mountain Home, Idaho. The existing facilities at these medically isolated locations suffer from serious structural and functional deficiencies.

Seven projects will add to and/or alter existing facilities whose average age is over 21 years. The projects requested are needed to enhance diagnostic and therapeutic capabilities, correct life safety deficiencies, and provide additional space for logistical support and outpatient care.

This 1987 request also includes funds for 14 new or replacement outpatient facilities to support new missions such as the Light Infantry Division at Ft. Wainwright, Alaska; replace World War II era structures; and significantly improve primary care for active duty personnel and their dependents both at home and abroad.

Funds requested for the construction of two new dental clinics will enable us to vacate two facilities each over 30 years old and inadequate for the practice of dentistry today. The remaining project in our request is for a storage facility at the Uniformed Services University of the Health Sciences.

Recent information provided to us by the Veterans Administration, and negotiations initiated by the Air Force, may reduce the construction requirement for the hospital at Kirtland AFB, New Mexico. As soon as these negotiations are completed, we will inform you of any change in scope in time for your mark-up of the FY 1987 Budget.

Projects Not in the Health Affairs Program

In addition to the construction projects under the purview of the new Defense Medical Facilities Office in Health Affairs, there are a number of health-related projects for which funds are requested that remain in the Services' budgets. I would like to emphasize the importance of these projects and solicit your support for them.

Several are in the Army's budget to support the Light Infantry Division at Ft. Drum. Currently at Ft. Drum, New York, there is only a small medical/dental clinic which is grossly undersized to support the new Division. These projects requested in FY 1987 are critical to the beddown of the 10th Infantry Division.

The Air Force has in their FY 1987 MILCON Budget the first of two phases for an addition to the School of Health Care Sciences at Sheppard AFB, Texas. This project was deferred by the Congress in FY 1986 due to budgetary constraints. This school provides the basic training for most of the health care technicians in the Air Force. At present workload, it is significantly underscoped and lacks state-of-the-art training facilities.

Finally, the Army and Air Force have requested funds to construct seven facilities which will store war reserve materiel and supplies overseas. These facilities will allow us to preposition medical supplies needed to provide basic life saving emergency treatment on the battlefield.

Contingency Hospitals

This year the Defense Medical Facilities Office program contains no request for funding of projects in support of medical contingency hospitals. This does not represent any lessening of the importance we place on purchasing and prepositioning these much needed facilities overseas. There are three Air Force projects that store Air Transportable Hospital assets in the United States. As the Congress directed last year, my staff is working on a coordinated Tri-Service plan for the use of these facilities worldwide. I will submit such a plan to the Subcommittee on a theater-by-theater basis as soon as it is completed. We do not want to delay a program so critical to improving our medical readiness capability worldwide. We can assure you that the Air Force projects and our future DMFO contingency projects will be appropriately prepositioned to support wartime casualty treatment.

Conclusion

The medical construction program I have presented has been developed to support the Department of Defense's policy to provide sufficient military health facilities to maintain the highest degree of combat effectiveness of the military force; to provide quality health care for active duty military personnel, their dependents and other authorized personnel; to provide essential teaching and training of the military medical forces; and to ensure that sufficient capacity exists to support an expanded mission during a period of mobilization or national emergency.

Mr. Chairman, this concludes my prepared statement. I will be happy to answer any questions.

GRACE COMMISSION RECOMMENDATIONS

Mr. **Hefner**. We hear a lot about the Grace Commission around here. Last year, this committee discussed at length the recommendations of the Grace Commission on the DOD medical program. One of their principal recommendations was a freeze on all hospital construction, especially small hospitals, or those with less than 50 percent to 60 percent occupancy.

For a number of reasons, the Department disputed the wisdom of this recommendation. Explain the current direction of your planning for small hospital construction and those with 50 percent to 60 percent occupancy.

Dr. **Mayer**. Yes, sir.

We, of course, took issue with the Grace Commission recommendation on freezing construction when we already had a couple of hundred million dollars invested in projects that were halfway finished, and to delay those, or to freeze that, would have greatly increased the costs.

With respect to small hospitals, there is as yet no overall plan for the future of such hospitals, except in a conceptual sense.

If a small hospital needs replacement and if the base on which it is located, Army and Air Force bases mostly, if those bases do not have nearby, very adequate civilian facilities then we will go on rebuilding such small hospitals, as they are critically important.

If, on the other hand, some of those bases are close to civilian facilities, where there is an excess of highly qualified hospital beds, then we will examine very carefully whether or not we can make arrangements to do at least part of our hospital cases in civilian beds.

We currently rely on civilian health for 25 to 30 percent of all the health care that is given to our 8 to 10 million eligible beneficiaries.

MOUNTAIN HOME AIR FORCE BASE

Mr. **Hefner**. You have requested $30.5 million for a new hospital at Mountain Home Air Force Base, Idaho. The current 30-bed hospital operates only 25 of its beds. That is a 62-percent occupancy rate. This translates to an average daily use of 15.5 beds. How many beds are programmed for the new hospital and why?

Dr. **Mayer**. Mr. Chairman, 31. The reason we are programming the hospital there at all is because Mountain Home is not an area where we can comfortably or safely rely on civilian resources. Additionally, this facility has serious structural and space deficiencies that make an addition or alteration impractical. It is one of the remote locations where it is clearly necessary to replace the existing hospital.

[Additional information follows:]

The 31-bed requirement was determined in 1982 using the GAO Bed Sizing Model. To comply with P.L. 97-337 passed after the design was underway, an economic analysis was conducted which validated that this sizing was cost-effective for the projected beneficiary population.

Mr. **Hefner**. A million dollars a bed?

Dr. **Mayer**. That would not appear to be cost-effective, admittedly. It is an isolated area. The apparent number of beds over the 15 average daily patient load is not as much of an excess as it would appear to be.

[Additional information follows:]

Cost per bed is not an appropriate comparative measure. Military hospitals like the one at Mountain Home Air Force Base provide substantial outpatient medical and dental care and unique military services such as Aerospace Medicine in addition to the inpatient bed services traditionally associated with most civilian hospitals. Over 58 percent of the space in the Mountain Home project supports these predominantly ambulatory services. The acceptable basis for comparison would be cost per square foot. The current DoD cost guidance for hospitals is $146 per square foot. With an area cost factor of 1.20, the Mountain Home project at $150 per square foot is well within DoD standards.

The current 12-month average daily patient load (ADPL) is 18 which would equate in a small hospital to an operating level of 24 beds. An increase in physician staffing to support some cost-effective CHAMPUS recapture, and an increase in population creates a projected 21-bed ADPL and a 31-bed operating level.

Mr. **Hefner**. Well, Doctor, I don't want to be argumentative, but I serve on the Budget Committee also. You say it is not excessive. Every group that has come before the Budget Committee has said their request is not excessive.

This seems to me to be a bit excessive, in excess of $1 million a bed. I have to explain, when these stories hit, why we are going for a 25-bed hospital with an occupancy rate of just a little over 50 percent, when we have an existing hospital. It seems to me you could do an awful lot with the existing facilities for $25 million.

This is kind of hard for me to explain to the folks that are taking the tremendous cuts in child nutrition and all these other areas such as the Appalachian Regional Commission, and others that have the same arguments.

It seems a bit excessive to me.

Dr. **Mayer**. I appreciate that, sir. There is no DOD or VA source of care within 50 miles. The nearest hospital is a skilled nursing home with 22 acute care and 53 long term beds and that is 20 miles away.

There is extreme limited physician support at this hospital. The economic analysis that was conducted concluded that the construction of a 31 bed hospital is a reasonable investment.

It is true, you can't build a small hospital at a reasonable cost. That is to say, $30 million for a 31-bed hospital. It doesn't translate into $100 million for a 100-bed hospital. It is not efficient to build that size hospital except that most of the facility supports outpatient seniors.

Mr. **Hefner**. How do you staff a hospital?

Dr. **Mayer**. The Air Force would staff that primarily with family practitioners and some surgical capability.

Their staff sees 89,000 outpatients a year, so we require a substantial staff to do that, from our 16 physicians and nine others, for a total provider staff of 25 people.

Admittedly, that is a very great expenditure for one apparently small hospital, though when you remember that they are supporting a population of 13,000 and there is no acceptable alternative medical facilities in the area it becomes more reasonable.

This is an isolated area; and while these kinds of things are expensive, it is a cost we are obligated to bear.

Mr. **Hefner**. I won't ask you to elaborate any further.

Dr. **Mayer**. Okay. While this is an Air Force project, I am convinced it is a very legitimate, and very important one, even though it is small. Those 13,000 people have no other resource—we are building a fairly large outpatient portion for this, and the cost of that portion is very reasonable and comparable to civilian costs. By building it the way we have it designed, we will be able to go on seeing a very large number of outpatients, do such things as outpatient surgery, but if that 13,000 people has an epidemic of flu, 30 beds is all they have got, and that is really where the bind comes in.

It is expensive. We would never spend that kind of money in an area where there was an alternative.

Mr. **Hefner**. I have that same problem in my home town of Concord. We had a flu epidemic.

Dr. **Mayer**. There you have families to support the people.

NAVAL SHIPYARD PHILADELPHIA—HOSPITALS

Mr. **Hefner**. The Secretary has notified Congress that it is ready to close the hospital at the Naval Shipyard in Philadelphia. Explain the reasons for this willingness to close the hospital and your role in this discussion.

Dr. **Mayer**. I had no role in that discussion at all. I have a certain sentimental attachment for the Naval Hospital at Philadelphia, because I interned there a few years ago. It was a fine hospital, indeed.

It is clear, based on analysis of the patient usage, it is not justified to continue that hospital in its current structure.

Mr. **Hefner**. Could you supply for the committee a list of the bases that were offered up for sacrifice. We are trying to find out how they arrived at these particular locations.

Could you give us, for the record, if you don't have it here, some other hospitals and other areas, to be closed? Why these particular ones? Why these particular bases, and why these particular hospitals?

Dr. **Mayer**. In the case of Philadelphia, because it is a huge, costly institution. There is a tremendous abundance of medical resources in the civilian community, five or six medical schools and teaching hospitals there.

The amount of usage of that hospital does not justify its continuation. I must repeat, however, I had nothing to do with making that decision. And I know of no other hospitals that are planned for closure.

Mr. **Hefner**. I know there are not, but there were some others that had to be considered in that group before you arrived at that decision.

Give me something for the record.

Dr. **Mayer**. I will be happy to.

[The information follows:]

Again, let me state that we did not consider any other hospitals for closure; however, we are in the final stages of developing a model and other instruments which will assist us in ensuring that we are operating facilities which are properly sized and located. My opening statement outlined the criteria under which I will propose construction in the future.

GRISSOM AIR FORCE BASE HOSPITAL

Mr. **Hefner**. The Grissom Air Force Base hospital has a capacity of 20 beds, 10 of which are in operation. However, their occupancy rate of 50 percent indicates a daily patient load of five beds. This is supported by a staff of 165 people. How is this possible?

Dr. **Mayer**. I have no idea, sir, that is an Air Force project.

Mr. **Murray**. It is not a project.

Mr. **Hefner**. Would you say this could be a bit excessive?

Dr. **Mayer**. I can't categorically say it is excessive.

Mr. **Hefner**. Would it seem to be?

Dr. **Mayer**. It would, except for the fact that this is part and parcel of the enormous medical workload that these institutions are covering. I don't know what the outpatient workload is at Grissom, I don't know anything about Grissom.

If it is like every other hospital that we have, it has a huge amount of daily outpatient business. The bulk of the staff is devoted to this burgeoning outpatient care.

For example, Mr. Chairman, Service-wide, we are seeing 50 million outpatients a year, and that takes an enormous staff. I am sure that that applies in some degree to Grissom, but I will examine that hospital in detail and report back to you.

[**Clerk's note**.—Additional information on this project follows:]

The hospital at Grissom AFB with its staff of 165 supports much more than ten inpatient beds. Unlike most civilian hospitals that focus on inpatient health care, typical Air Force Composite Medical Facilities (CMF) like the Grissom CMF, provide prodominantly outpatient medical services and DoD unique services such as dental, flight medicine and environmental health. In FY 84 Grissom CMF provided 70,000 outpatient medical visits and 15,982 dental visits. Most of the staff and facilities are dedicated to this workload with only 17% of the total staff assigned to support the ten bed inpatient capability.

Mr. **Hefner**. Okay. I am not going to ask you this particular question, but I am just going to read this question.

The Grace Commission also recommended closing the Uniformed Services University of the Health Services, which the Department has consistently opposed. What is the basis for DOD opposition to this recommendation, and why has $900,000 been requested to support their activity?

Dr. **Mayer**. Yes, Mr. Chairman.

[**Clerk's note**.—The answer to this question follows:]

The Department has consistently opposed the closing of USUHS because of the essential role this facility plays in training the military medical personnel needed for our active duty force. With the increased emphasis being placed on wartime medical readiness and the related need for personnel trained in the medical specialities critical to a wartime scenario, the USUHS is necessary for us to satisfy our wartime mission.

The $900,000 is requested for construction of a storage facility. This project will satisfy the University's need for an environmentally controlled space for books, models, and scientific equipment.

KIRTLAND AIR FORCE BASE, NEW MEXICO—HOSPITAL

Mr. **Hefner**. In your statement, you mention that a recent agreement with the Veterans' Administration may negate the need for the new hospital at Kirtland Air Force Base, New Mexico. Explain this situation and tell us what you would suggest as an alternative.

Dr **Mayer**. Thank you.

Kirtland Air Force Base needs to upgrade and expand the existing hospital, no question about that. It was ascertained that the VA was building a fine, brand new addition to their hospital, very close to the base. We have many sharing agreements with the Veterans' Administration, and so it was determined in negotiations between the Air Force and the VA that they could supply a sufficient number of beds in their brand new hospital to meet the Air Force's inpatient requirements. I don't know the details of staffing, exactly how the sharing is going to take place, but it will be possible for the Air Force to avoid having to make a major investment in the existing hospital.

However, keeping in mind the 50 million outpatients we see every year in the system as a whole, bearing in mind the increased number of outpatient procedures, people we keep out of the hospital, it will still be necessary to build a major outpatient health care center at Kirtland. Not a hospital, but it will probably include operating rooms for a "same day" surgery capability.

So, instead of the $25 million that was originally expected to have to be spent to modernize and expand the current hospital, I am sure that the revised proposal for an Air Force clinic, adjacent to the VA hospital, will come in at a much lower rate. We should have for you within a few weeks, an estimate of the cost, but it will be a significant reduction from the $25 million.

That is an example of how we are trying to take advantage, not only of the civilian community, but of other Federal facilities.

[Clerk's note.—Additional questions submitted by Mr. Hefner follow:]

Question. The new wing you suggest has not been designed. What are the Air Force's plans in this regard if the agreement is reached with the VA on a new wing?

Answer. An agreement has been reached between the VA and the Air Force. Under this agreement the Air Force will utilize available space in the VA Hospital to provide inpatient care. The agreement further allows for the construction of an Air Force outpatient facility adjacent to the VA Hospital. There are two options available for the design of this outpatient facility. Under the first option, the project is developed under the traditional design-bid-build process. The second, under the provisions of section 2862 of Title 10, utilizes a single contract for design and construction.

Question. How will Congress be notified of this change in scope?

Answer. A revised scope has been developed, and approved by OASD(HA), for a 97,925 square foot outpatient facility. We anticipate the cost for this project to be $16 million. We plan to acquire this facility through the use of a single contract for design and construction under the provisions of section 2862 of Title 10.

This will allow us to maximize the benefit of the sharing arrangement with the VA and the taxpayers' already substantial investment in their hospital. It will also provide a more convenient, efficient and cost-effective Air Force health care operation, allow us to evaluate a new method of acquiring a facility, and result in a reduction of $9.5 million from the previous requirement.

Question. What is the earliest date design could start and what is the earliest date this new project could be under construction?

Answer. Under the first option, design would begin in third quarter FY 86 and construction in third quarter FY 88. Under the second option, development of request for proposals would begin immediately. The selection of a single contractor to design and build the clinic would be made following appropriation of funds with a contract awarded within six months.

Question. Update the Committee on the progress made on sharing health resources.

Answer. During Fiscal Year 1985, fifty-seven military medical facilities negotiated 81 sharing agreements with Veterans Administration Medical Centers. Since passage of the Health Resources Sharing and Emergency Operations Act of 1982, there have been 201 sharing agreements negotiated involving 91 military medical facilities. Economic feasibility studies have been funded jointly by the Air Force and the VA to assess the possibility of "joint venture" hospitals at Nellis Air Force Base, Nevada and Elmendorf Air Force Base, Alaska. In addition, promotion efforts are underway directed at the sharing of specialized resources and equipment between DoD and the VA.

[CLERK'S NOTE.—This concludes Mr. Hefner's questions.]

COOPERATION WITH THE VETERANS' ADMINISTRATION

Mr. HEFNER. The committee over the years has emphasized the need for sharing of medical facilities with the Veterans' Administration, and in fact, a number of agreements have been put into effect.

How is it that the Department and the Air Force were not sufficiently aware of the VA's plans for the Kirtland Air Force Base area? The Air Force spent at least $1.8 million to design this hospital, which will now be lost. Can you justify this lack of coordination?

Dr. MAYER. I realize that.

Mr. HEFNER. I am not jumping on you, but you are the only witness. Can you justify this, or maybe not justify it, but instead explain it?

Dr. MAYER. Thank you. I believe that when this project was originally conceived, the VA believed, and so informed the Air Force, that they wouldn't have any additional room.

In fact, when the Air Force first found out that the VA was going to build a hospital, they asked them. As time went on, and the VA relooked at what it was doing and continued in some discussion with the Air Force, it became apparent that there would be room to accommodate Air Force patients.

So, even though $1.8 million was spent to plan a new hospital at Kirtland, that is not totally wasted. That design has been stopped.

We will still have to provide an appropriate outpatient facility. The VA cannot provide that. We began this design in good faith because it was not believed by the VA or the Air Force that they would be able to make this accommodation.

As we progressed, it became apparent that this accomodation was possible, so we elected not to continue the $1.8 million design and expansion of the hospital, that would be even more wasteful.

By making this change we will end up with considerable savings. It is a shame it couldn't have been determined earlier.

Part of the reason the Air Force pursued this VA agreement aggressively is because my office has been pursuing aggressively the best possible use of all the resources.

RADIOLOGY LINEAR ACCELERATOR, KESSLER AIR FORCE BASE, MISSISSIPPI

Mr. **Hefner**. The Air Force Base, has a Radiology Linear Accelerator for $3.1 million at Kessler Air Force Base. Explain the reasons for choosing Kessler Air Force Base for this project. Is this a more effective method of treating cancer?

Dr. **Mayer**. In the past, we have done cancer therapy using radioactive cobalt. Cobalt is a radioactive substance we can handle reasonably well, but it has a half-life which causes it to deteriorate over a period of time, and eventually it is useless and has to be replaced at extremely high cost. Cobalt radiation is not focusable in the way that a neutron beam is that has been accelerated through this rather expensive device called a linear accelerator.

So this modern state-of-the-art piece of equipment, well established, is required for places that are going to do specific highly-focused cancer therapy with radiation. It is particularly important to those patients that can't be operated upon, that you use a linear accelerator, which gives you the same radiation but more intense and more focused, so we can treat tumors without doing as much damage to surrounding tissue.

It is expensive like most medical technology.

Mr. **Hefner**. Will this type of facility be requested for other DOD hospitals? If so, to what extent and at what cost?

Dr. **Mayer**. Not across the board, sir, but this is a fairly large teaching hospital, and it does serve a regional function for the Air Force. When this project was submitted to the three Surgeons General, it was agreed, based on the justification that they produced, and the economic analysis involved, that this was a legitimate siting for this device.

The idea of putting a linear accelerator in a large number of our hospitals would never fly because, especially in places like Washington and San Francisco, where we have access to that kind of thing and do not have a requirement for such equipment to support a training program.

Mr. **Hefner**. Okay.

To what extent does DOD rely on private-sector facilities for this type of treatment?

Dr. **Mayer**. Yes, in areas where we have access and no training requirements, sir.

CIGARETTE SALES IN COMMISSARIES

Mr. **Hefner**. One other question. Are you going to take the cigarettes out of the commissaries?

Dr. **Mayer**. I can't answer, because I don't know what the Secretary's decision will be. It is clear from the amount of discussion and debate, that there are many aspects to that question. Some of them are not medical questions at all.

Some have to do with perceived contract with the U.S. for benefits.

Mr. HEFNER. Commitments, and this sort of thing?

Dr. MAYER. Real or inferred, but in any case, I don't have anybody on my staff who is a fanatic about taking cigarettes out of the commissary or raising their prices or stopping smoking on the bases.

We are making no attempt to do that at all. Our reference to the cigarette issue in the commissary arose from public statements I had made in the past that I am opposed to any kind of prohibitions.

I am one of the few of us old enough to remember prohibition of alcohol, how bad that was. I was not a drinker at the time.

Mr. HEFNER. Since then maybe?

Dr. MAYER. As indicated. But this cigarette base, we think this is important, is simply part of a very large and overreaching health promotion directive which was, or which the Department has been working on with again another Blue Ribbon Panel convened a couple of years ago, and addresses nutrition, exercise, high blood pressure screening.

It is a comprehensive health care, health promotion package, because we want our troops and their families to be in the best possible condition, obviously.

Our proposal was originally, just simply not to make cigarettes in the commissary such a bargain that in any way it seemed that we were encouraging smoking, and so, we presented our side of the case.

Force, Manpower and Personnel presented their side.

Mr. HEFNER. In the PXs and other places, is alcohol sold at a discount?

Dr. MAYER. No, sir. It is sold at a discount comparable to the taxes.

Mr. HEFNER. There is a 5 percent surcharge on cigarettes, as I understand. I am not getting into the health argument, and I agree with you, about prohibition. This is an area where it could be considered that the servicemen, enlisted people, whose pay is probably not terribly high, are going to have an added cost if they have to go some place else to buy cigarettes.

Dr. MAYER. There are what appear to be scientific studies on both sides as to whether price is related to consumption, and those same studies occur with alcohol.

The PX prices are significantly less than outside. In the commissary, because of different pricing and financing schemes, the prices are much lower, and we believe that we were giving the wrong message by selling them at such a discount.

Mr. HEFNER. It is safe to say that the Secretary will take under advisement all the pros and cons, comments from different Senators, House members, what have you, before he makes a final decision. Would that be a fair assessment?

Dr. MAYER. That is an excellent and very fair assessment, and I must say that for an issue that seems not as directly related to rebuilding the hospital in Naples, which is not fit to be used, or medical readiness overseas, an incredible amount of time has been spent in the halls of the Pentagon discussing cigarettes.

Mr. **Hefner**. Thank you very much.

Dr. **Mayer**. Thank you.

[Clerk's note.—Additional questions submitted by Mr. Hefner follow:]

MEDICAL PROGRAM

Question. As your statement indicates, medical facilities planning and budgeting has been consolidated into your office. Have all the projects in the fiscal year 1987 request been reviewed and deemed to be in conformance with the recommendations of the President's Blue Ribbon Panel on Sizing DoD Medical Treatment facilities?

Answer. The primary recommendation of the Blue Ribbon Panel on Sizing DoD Medical Treatment Facilities was that "Medical readiness requirements should be the primary criterion for determining the size . . . of the facilities in the direct-care system." While the FY 1987 Medical MILCON program was prepared by the Services it was reviewed by the Assistant Secretary of Defense for Health Affairs before submission to the Congress; and it was deemed to be in compliance with the primary recommendations of the Panel.

Question. In your opinion, what will the long term effect of this consolidation be on the DoD medical care?

Answer. The consolidation of all planning, programming, and budgeting for health facility construction projects, as well as management of the allocation of the financial resources approved for such projects, was approved by the Deputy Secretary of Defense on February 6, 1986. The establishment of the Defense Medical Facilities Office under the Assistant Secretary of Defense (Health Affairs) will enable DoD to ensure that recommended projects are integrated in a manner which effectively addresses DoD-wide medical support requirements and that medical readiness criteria are consistently applied. This will ensure the Department is able to maximize over time the effective utilization of resources committed to essential medical facility construction.

OMNIBUS LEGISLATIVE PROPOSAL

Question. What is the status of the Omnibus legislative proposal regarding a CHAMPUS/medicare reimbursement link?

Answer. The proposal was included in the Department's fiscal 1987 legislative package submitted to the Congress earlier this year. However, a similar provision was included by Congress in the Budget Reconciliation Bill (H.R. 3128) which was recently signed by the President.

AIR FORCE HOSPITALS

Question. Recent operating data indicates that the Air Force has nine hospitals in the United States operating at less than 60% occupancy. Can you explain why these hospitals are kept open?

Answer. The Air Force Medical Service has established management procedures to ensure that USAF medical treatment facilities (MTFs) are staffed in the inpatient area at a level appropriate to the demand they are able to accommodate. Inpatient staffing of facilities that experience low occupancy rates for extended periods of time is reduced and the excess staffing is shifted to other facilities where there is higher demand.

Staff rotation, retirements, and readiness training will cause, on a temporary basis, select facilities to drop below the 75 percent occupancy we normally staff inpatient areas for.

In addition to the inpatient function, military medical treatment facilities provide critical support for the base mission and provide cost effective outpatient care for military families.

Inpatient bed occupancy is not the best proxy for determining efficient use of staff in a military medical facility. On the average, only 17 percent of AF medical manpower resources are engaged in support of inpatient care. Eighty-three percent of Air Force medical manpower is used in support of our outpatient clinics which provide approximately 16 million outpatient visits annually. In addition these resources support community health activities (e.g., environmental health, public health, dental), and special requirements to support the Air Force mission (e.g., physiological training, mobility, disaster preparedness).

COLUMBUS AIR FORCE BASE, MISSISSIPPI

Question. A similar situation exists at Columbus AFB, Mississippi where an average patient load of 12 patients is supported by a staff of 219; KI Sawyer, Michigan—11 patients daily, 227 staff; Laughlin AFB, Texas—9 patients daily, 216 staff; Mather AFB, California—40 patients daily, 537 staff; Maxwell AFB, Alabama—38 patients daily, 491 staff; Robins AFB, Georgia—19 patients daily, 349 staff; and Wurtsmith AFB, Michigan—11 patients daily; 207 staff. Provide for the record an explanation of why these facilities continue to operate and justify the staff levels.

Answer. If an Air Force Medical Treatment Facility (MTF) continues to operate below 75 percent occupancy, inpatient staffing is adjusted appropriately to ensure efficient use of military manpower. The total staffing of military MTFs is based on not only the inpatient demand but also requirements to support the base mission and outpatient care. Inpatient bed occupancy is not the best proxy for determining efficient use of staff in a military medical facility. On the average, only 17 percent of AF medical manpower resources are engaged in support of inpatient care. Eighty-three percent of Air Force medical manpower is used in support of our outpatient clinics, community support (e.g., environmental health, public health, dental), and special requirements to support the Air Force mission (e.g., physiological training), Air Force MTFs provide approximately 16 million outpatient visits annually.

FORT WAINWRIGHT, ALASKA CLINIC

Question. With the existing 80 bed hospital at Fort Wainwright operating only 31 beds, why is a new clinic required?

Answer. Bassett Army Hospital was constructed in 1953. There have been significant changes in medical technology over the last 33 years. The emphasis on ambulatory care continues to increase. Furthermore, ancillary support areas require much larger spaces than they have in the past to support new technology. Ward areas normally used for inpatient care are now being used for ambulatory care, ancillary, and administrative areas. With the activation of the Light Infantry Division at Ft Wainwright, the total beneficiary population will increase to 14,200 by 1989. In addition this hospital provides specialty and inpatient care to the 9,000 active duty and dependents at Eielson Air Force Base. The clinic being proposed is for primary medical and dental care of active duty personnel. Bassett will not be able to absorb the increased demand for inpatient and outpatient care generated by the new division without this clinic.

Question. Was the alternative of using existing space in the hospital examined?

Answer. The existing facility does not have the capacity to provide space for the expanded dental and primary care requirements of the new Light Infantry Division. This option was thoroughly evaluated during the initial planning phase for this project. In fact, medical administrative functions currently located in the hospital are being relocated outside the facility to make room for specialty ambulatory care clinics and ancillary support functions.

EDWARDS AFB DENTAL CLINIC

Question. Why is a 30 chair facility required to support an active duty population of 4,248?

Answer. A 24 DTR Clinic is being proposed. The size of the clinic is based on the professional staff that will be assigned. This staff is necessary to meet the dental care requirements of the active duty personnel at Edwards AFB. Under current criteria, 24 DTRs are necessary to maximize the productivity of the 12 Dental Officers and three hygienists assigned to meet the active duty dental care requirement.

Question. How many chairs are in the existing facility?

Answer. There are currently 13 Dental Treatment Rooms (DTR's) located in the existing freestanding dental clinic that is over 30 years old.

Question. Justify $155 per square foot cost?

Answer. The basic Department of Defense unit cost for an FY 87 Dental Clinic military construction project is $127/SF. The area cost factor (ACF) for Edwards AFB is 1.30. The adjusted area cost/SF would be $165/SF, $10/SF higher than the Air Force estimate. The $155/SF estimate is achieved by site adapting a previous dental clinic design and is validated by the architect/engineer's 35 percent design cost estimate.

TRAVIS AFB, CALIFORNIA—COMPOSITE MEDICAL FACILITY

Question. A toal of $201,200,000 will have been provided, if this request is approved for this facility. Specifically explain how this project was put under contract and how the current working estimate relates to the current construction contract.

Answer. In FY 85 the Congress authorized $201,200,000 for the Travis Composite Medical Facility and approved incremental funding for the project. $30,000,000 was appropriated in FY 85 and $78,400,000 in FY. 86. With this final FY 87 request for $87,500,000 the total amount appropriated would be $195,900,000. As a result of the Gramm-Rudman-Hollings deficit reduction act, the FY 86 appropriation was reduced to $74,665,000 which reduces the total to $192,165,000. The prime contract is a single, fixed price contract written to allow project funding over three fiscal years. There are also four facility support contracts which are also fixed price. Total project current working estimate is $196,200,000. The shortfall between the FY 85, 86 and 87 appropriations and current working estimate is due to the Gramm-Rudman-Hollings reductions.

VANDENBERG AFB, CALIFORNIA—ALTER COMPOSITE MEDICAL FACILITY

Question. How will anticipated delays and uncertainties in the Space Shuttle program at Vandenberg AFB affect the need for this facility?

Answer. There will be no change in the need for this project. The Space Shuttle program is an important mission at Vandenberg, but it is only one of many important space satellite mission at this relatively isolated base. The construction of an efficient flight medicine facility for the significant bio-environmental and occupational aspects of the entire Vandenberg mission is required. The alteration of existing facilities for a modern mental health service is necessary.

BROOKS AFB, TEXAS—DRUG ABUSE DETECTION LABORATORY

Question. Justify the need for a new and expanded facility for drug testing.

Answer. This project will construct an addition to the existing drug detection laboratory and also will alter the existing facility to provide access to the new addition. The present facility is inadequate to support the present drug testing workload and the staffing required to perform that workload. The current facility, designed and constructed in the mid-1960s as an Air Force epidemiology laboratory, was converted for drug testing use in 1971. It was modified in the mid-1970s to house a staff of 40 and manage 15,000 samples monthly. The increased emphasis on the drug testing program, the rapid increase in technology, the auditable chain of custody requirements, and a commensurate increase in staffing have rendered the facility obsolete and inadequate. Modern computerized equipment, essential to the Drug Abuse Detection program, has resulted in gross overloading of building systems. The current work flow with fragmented work centers of insufficient size adds significantly to the inefficiency of the operation. The Brooks AFB Drug Testing Laboratory has been tasked to increase their capacity to accommodate the processing of 300,000 samples a year. Without this project, the Lab will not meet the demand for and legal requirements of the Drug Abuse Testing Program.

Question. Is this facility used by other services? If not, why not?

Answer. This facility has been used as part of the Bi-Service (Air Force/Army) Drug Testing Program since January, 1983. Prior to December 1985, the laboratory at Brooks was processing 225,000 samples yearly, 75,000 of which were for the Army. However, this arrangement was temporarily terminated two months ago by the Army because of the long turnaround time involved with the processing of samples at Brooks. Brooks has currently only the capability to screen samples. Confirmation of positive samples must be sent to a contract laboratory for analysis and report generation. This process results in a turnaround time of 4 to 5 weeks which is unacceptable. The Army's desire is to process their specimens, to include screening and confirmation of positive samples, within 7 to 10 days. Unitl this project resolves the facility problems at Brooks, the Army will use a civilian contract for their workload.

MADIGAN HOSPITAL, WASHINGTON

Question. Explain specifically the current working estimate for this project in relation to the current contract and the need for $72,000,000.

Answer. The final current working estimate for the Madigan Army Medical Center replacement project is being developed. To this date, $37.2 million has been appropriated of the $338 million authorized. The FY 86 authorization bill directed a reduction in the size of Madigan Army Medical Center and delayed the design completion date. As a result, the FY 86 appropriation of $26 million has not been committed to date, but bids are scheduled to be received in April 1986 with contract award scheduled by July 1986. The FY 86 phase will provide funds for construction of the foundations and procurement of the structural steel. This FY 87 third phase of the project is required for placement of main frames, floors, concrete work, exterior walls and procurement of electrical, plumbing, fire protection, mechanical and medical equipment items. The remaining construction phases are programmed through FY 90.

Question. With the reduction in size from 478 beds to 414 beds, how is it that we only save $3 million on a $328 million project?

Answer. Elimination of one floor from the nursing tower results in a reduction of nearly 33,000 gross square feet. This is only 2.6% of the total space in the facility. The estimate of savings that result from this reduction was based on the assumption that earthwork, footings, and diagnositic equipment would not be changed on other floors. The remainder of the costs have been reduced on a straight line proration. At $145 per square foot, the cost savings based on a September 1988 midpoint of construction are $4,800,000. It is estimated that the construction duration would be reduced by two months by deleting one floor. The construction start date will be delayed by two months and the combined effect is a one month delay in construction midpoint. The resulting cost escalation, at a rate of 4% per year would be $1,100,000. The combined effect of a $4,800,000 savings and a $1,100,000 escalation is a $3,700,000 savings if the project remains on schedule.

BED OCCUPANCY

Question. How many beds were not occupied on an average under the operating capacity criteria in 1985 and what percentage of the total operating capacity is that?

Answer. The Army operated 7,891 beds in 50 separate hospitals in 1985. The average daily beds not occupied for that period were 1,155 or 14.7%. (The average daily beds occupied were 6,736 or 85.3%.)

It should be noted that a hospital is considered fully utilized if it can maintain an average occupancy of at least 80%.

Question. How many beds were not occupied on an average under the operating capacity criteria in 1985 and what percentage of the total operating capacity is that?

Air Force answer. Under the operating bed capacity criteria, 1,818 beds on an average were not occupied during 1985. This represents 69% occupancy rate.

Question. How many beds were not occupied on an average under the operating capacity criteria in 1985 and what percentage of the total operating capacity is that?

Answer. The number of unoccupied beds is under development and will be submitted by 31 March 1986.

UPDATED OCCUPANCY CHART

Question. Update the occupancy rate charts found on pages 410 to 411 of Part 4 of last year's hearings.

Army answer. The information follows:

	Normal Capa.	Operating Capa.	1985 % of Capa.	Beds Occ.	TOTAL STAFF		
					Military	Civilian	Total
Augsburg	79	62	66	41	380	318	698
B. Cannstatt	144	141	81	114	656	368	1024
Belvoir	120	91	93	85	461	345	806
Benning	480	211	84	178	662	785	1447
Berlin	75	41	85	35	179	246	425
Bragg	280	194	94	182	830	746	1576
Bremerhaven	34	31	97	30	213	145	358
Brooke	713	552	83	456	1612	1221	2833
Campbell	241	164	86	141	565	595	1160
Carson	126	116	74	86	470	507	977
Devens	64	49	61	30	323	251	574
Dix	525	166	61	101	498	400	898
Eisenhower	752	395	86	341	1135	905	2040
Eustis	57	46	70	32	364	249	613
Fitzsimons	506	443	83	370	1163	1488	2651
Frankfurt	302	222	91	201	1217	752	1969
Hawley	55	12	67	8	159	117	276
Heidelberg	156	92	87	80	618	462	1080
Hood	215	163	105	172	802	700	1502
Huachuca	95	43	86	37	305	235	540
Jackson	435	130	94	122	575	443	1018
Knox	185	155	95	147	576	648	1224
Korea	190	138	83	115	1320	320	1640
Landstuhl	235	222	88	196	1151	672	1823
Leavenworth	87	35	83	29	236	198	434
Lee	103	69	86	59	274	283	557
Leonard Wood	465	155	79	122	648	557	1205
Letterman	550	380	81	309	1054	758	1812
Madigan	448	340	85	289	1194	968	2162
McClellan	108	62	81	50	277	259	536
Meade	97	61	74	45	533	501	1034
Monmouth	60	26	69	18	188	202	390
Nuernberg	175	118	97	115	778	570	1348
Ord	400	134	87	116	692	521	1213
Panama	275	130	95	123	268	841	1109
Polk	169	111	80	89	510	389	899
Redstone	42	34	71	24	168	204	372
Riley	129	113	85	96	417	443	860
Rucker	75	36	83	30	366	223	589
Shape	60	15	87	13	234	126	360
Sill	208	139	87	121	537	439	976
Stewart	165	86	95	82	462	270	732
Tripler	546	482	88	426	1526	1110	2636
Vicenza	25	20	100	20	257	105	362
Wainwright	80	35	86	30	443	75	518
Walter Reed	962	845	85	722	2528	3034	5562
Weed	26	12	108	13	239	51	290
West Point	65	40	80	32	280	180	460
Wm. Beaumont	611	454	86	392	1241	1071	2312
Wuerzburg	106	80	89	71	413	379	792

Question. Update the occupancy rate charts found on pages 410-438 of Part 4 of last year's hearing.

Navy answer. The information follows:

	Original Yr. Constructed	Normal Capacity	Operating Capacity	FY 1986 Percent Occupancy Rate		Total Staff	
					Military	Civilian	Total
U.S. NAVY							
NH Beaufort	1949	207	59	75	401	195	596
NH Bethesda	1981	602	494	80	1649	628	2277
NH Bremerton	1980	173	98	75	433	260	693
NH Camp Lejeune	1983	238	170	80	700	280	980
NH Camp Pendleton	1974	584	151	80	744	380	1124
NH Charleston	1973	318	184	80	767	225	992
NH Cherry Point	1942	111	27	75	250	61	311
NH Corpus Christi	1974	195	40	75	308	90	398
NH Great Lakes	1918	786	159	80	797	228	1025
NH Groton	1974	124	60	75	407	100	507
BRMEDCLIN Iwakuni	1940	25	1	100	51	12	63
NH Jacksonville	1977	385	178	80	1031	279	1310
NH Lemoore	1961	69	23	75	198	40	238
NH Long Beach	1967	569	166	80	809	469	1278
NH Millington	1972	230	77	75	471	121	592
NH Newport	1913	150	106	75	383	159	542
NH Oak Harbor	1969	25	17	75	178	37	215
NH Oakland	1968	660	263	80	1115	605	1720
NH Orlando	1981	129	114	80	639	252	891
NH Patuxent River	1969	30	13	75	133	58	191
NH Pensacola	1975	275	117	75	616	266	882
NH Philadelphia	1935	176	78	87	578	232	810
NH Portsmouth	1962	765	501	80	1900	551	2451
NH San Diego	1922	900	566	80	2199	814	3013
BRHOSP Twentynine Palms	1961	36	20	75	144	24	168
NH Guam	1954	360	61	75	380	99	479
NH Guantanamo Bay	1956	102	11	75	139	47	186
NH Naples	1964	26	26	100	210	75	285
NH Okinawa	1959	454	114	80	603	243	846
NH Roosevelt Roads	1973	118	40	75	304	89	393
NH Rota	1958	51	33	75	155	31	186
NH Subic Bay	1956	116	72	75	298	186	484
NH Yokosuka	1980	136	69	75	339	196	535
BRHOSP Naval Home Gulfport	1976	60	31	75	0	34	34
BRNH Adak	1970	15	4	75	48	2	50
BRBG Sigonella	1959	10	3	75	48	4	52
Station Hosp. Keflavick	1973	24	9	75	110	6	116
Navy Totals		9234	4155	79%	19535	7378	26913

Question. Update the occupancy rate charts found on pages 410–438 of Part 4 of last year's hearing.

Air Force answer. Air Force Hospitals.

AIR FORCE FACILITY UTILIZATION AND STAFFING

(FISCAL YEAR 1985)

U.S. AIR FORCE	Original Yr Constructed	Normal Capacity	Operating Capacity	Percent Occupancy Rate	Military	Total Staff Civilian	Total
AF Academy	1960	126	80	70	451	83	534
Altus	1979	38	25	83	193	45	238
Andrews	1958	325	320	59	1280	277	1557
Barksdale	1971	110	60	67	454	82	536
Beale	1961	50	30	66	360	38	398
Bergstrom	1970	46	35	76	266	40	306
Bitburg	1951	65	40	76	237	38	275
Blytheville	1958	35	25	65	182	26	208
Cannon	1968	65	35	55	215	30	245
Carswell	1958	160	110	77	567	108	675
Castle	1985	44	20	58	229	42	271
Chanute	1957	154	35	71	297	65	362
Clark	1964	270	160	77	815	181	996
Columbus	1958	30	20	63	195	24	219
Davis-Monthan	1961	90	70	72	414	83	497
Dover	1958	100	35	68	262	55	317
Dyess	1956	122	40	62	268	41	309
Edwards	1955	38	25	64	285	39	324
Eglin	1967	200	160	77	785	157	942
Ellsworth	1983	61	35	70	265	37	302
Elmendorf	1955	278	90	76	561	67	628
England	1971	70	25	69	194	34	228
F.E.Warren	1978	35	30	62	210	32	242
Fairchild	1956	61	50	62	317	53	370
George	1985	50	30	66	267	29	296
Grand Forks	1984	50	35	67	227	35	262
Griffiss	1973	70	30	55	205	47	252
Grissom	1958	18	10	36	149	25	174
Hahn	1953	33	25	59	205	35	240
Hellenikon	1958	15	6	54	119	18	137

AIR FORCE FACILITY UTILIZATION AND STAFFING

(FISCAL YEAR 1985)

	Original Yr' Constructed	Normal Capacity	Operating Capacity	Percent Occupancy Rate	Military	Total Staff Civilian	Total
U.S. AIR FORCE							
Hill	1974	51	30	57	252	108	360
Holloman	1967	63	35	69	239	45	284
Homestead	1957	91	70	66	453	66	519
Incirlik	1963	58	20	70	178	24	202
Iraklion	1957	3	2	67	64	4	68
K. I Sawyer	1978	38	20	61	194	34	228
Keesler	1981	325	325	82	1272	231	1503
Kirtland	1951	68	40	63	319	69	388
Kunsan	1966	12	5	58	95	10	105
Lackland	1983	1000	1000	62	2840	474	3314
Lajes	1956	71	7	62	115	24	139
Langley	1966	101	75	61	498	84	582
Laughlin	1977	28	20	79	203	15	218
Little Rock	1964	50	35	63	336	42	378
Loring	1953	46	25	52	188	25	213
Luke	1974	105	70	73	418	75	493
MacDill	1976	150	65	61	473	87	560
Malmstrom	1956	76	20	71	202	23	225
March	1965	152	115	70	548	73	621
Mather	1971	105	75	65	444	81	525
Maxwell	1964	132	60	75	440	70	510
McConnell	1956	30	15	50	182	32	214
Minot	1950	140	40	66	282	65	347
Misawa	1948	44	15	63	156	24	180
Moody	1967	34	25	67	194	35	229
Mountain Home	1959	28	25	63	199	28	227
Myrtle Beach	1958	31	25	56	178	20	198
Nellis	1965	65	50	68	375	53	428
Offutt	1981	123	85	74	535	126	661

AIR FORCE FACILITY UTILIZATION AND STAFFING

(FISCAL YEAR 1985)

U.S. AIR FORCE	Original Yr Constructed	Normal Capacity	Operating Capacity	Percent Occupancy Rate		Total Staff	
					Military	Civilian	Total
Osan	1953	45	15	43	187	32	219
Patrick	1965	25	25	63	222	69	291
Pease	1974	70	55	60	303	81	384
Plattsburg	1959	109	20	62	168	34	202
RAF Lakenheath	1964	98	80	62	484	69	553
RAF Upper Heyford	1981	60	30	74	287	24	311
Reese	1971	26	15	56	182	40	222
Robins	1967	60	30	61	265	82	347
Scott	1958	325	165	76	789	200	989
Seymour Johnson	1978	41	35	68	255	48	303
Shaw	1968	90	45	70	315	54	369
Sheppard	1963	378	145	78	590	132	722
Tinker	1981	75	35	66	340	123	463
Torrejon	1958	74	45	63	242	86	328
Travis	1948	341	310	76	1049	251	1300
Tyndall	1967	79	50	68	271	71	342
Vandenberg	1967	125	45	67	303	43	346
Whiteman	1978	34	30	77	194	34	228
Wiesbaden	1939	308	255	76	673	266	939
Williams	1972	41	30	60	231	50	281
Wright-Patterson	1956	293	265	76	1012	327	1339
Wurtsmith	1961	47	20	61	186	24	210
Yokota	1974	100	35	61	280	86	366
Air Force Total		8924	5865	69	31765	6262	38027

DESIGN

Question. Provide for the record a listing of each DoD hospital currently under design. Indicate the date the design was initiated, the current design level, the estimated construction cost and the year in which the initial construction will be requested.

Answer.

STATUS OF DOD HOSPITALS CURRENTLY UNDER DESIGN

	Fiscal year	Design start date	Current dsn lev percent	Pgmd amount (Millions)
Army:				
Hosp, Add/Alter Ft. Irwin, CA	1986	Dec. 86	100	[1]$6.71
Repl Hosp, Ph I Ft. Sill, OK	1986	Dec. 83	100	[1]27.79
Hosp, Add/Alter Wuerzburg, GE	1986	Dec. 82	100	[1]29.71
New Hosp MAMC Ft. Lewis, WA	1987-88-89	Feb. 82	100	[2]338.00
Repl Hosp, Ph II Ft. Sill, OK	1989	Dec. 84	30	51.84
Replacement Hosp Seoul, Korea	1988	Oct. 85	10	52.00
New Hosp, BAMC Ft. Sam Houston	1989	Oct. 84	20	380.00
Navy:				
Hosp Addition Jacksonville, FL	1986	Aug. 84	95	[1]16.74
Hosp Addition Groton, CN	1986	May 82	100	[1]8.29
Repl Hosp Naples, IT	1987	July 85	35	29.30
Hosp Addition Oak Harbor, WA	1988	July 84	60	16.50
Repl Hosp Sigonella, IT	1988	Mar. 86	2	20.00
Replacement Hosp Subic Bay, RP	1988	June 85	35	1.60
Air Force:				
OMF/DC ADAL Clark AFB, RP	1988	Apr. 84	60	45.16
Repl OMF/DC Incirlik, TU	1988	Sept. 85	15	20.00
OMF ADAL Kirtland, AFB, NM	1987	Dec. 84	40	25.55
OMF ADAL Lakenheath, UK	1988	Sept. 85	10	40.00
Repl OMF/DC Mt. Home, ID	1987	Oct. 82	65	30.50
OMF ADAL Patrick AFB, FL	1988	Jan. 85	35	20.50
OMF ADAL Vandenberg AFB, CA	1987	Mar. 85	65	1.90

[1] Reflect fiscal year 1986 Gramm-Rudman adjustments.
[2] MAMC includes $11.2 million fiscal year 1985 site preparation authorization.

Question. The Defense Agencies planning and design request is $110.7 million. What is the medical program's portion of this amount?

Answer. Planning and design funds requested in FY 87 Budget for the Defense Medical Facilities Office (DMFO) are $39.9 million.

[CLERK'S NOTE.—This concludes Mr. Hefner's questions.]

[CLERK'S NOTE.—A question submitted by Mr. Coleman follows:]

BERGSTROM AFB, TEXAS—COMPOSITE MEDICAL FACILITY

Question. Last year the Committee put language in the report directing the Air Force initiate an economic analysis for a composite medical facility at Bergstrom Air Force Base and to reconsider placing the project in the FY 1987 through 1991. Could you comment on the status of the economic analysis and whether or not the project has been placed in the FY 1987-1991 program years?

Answer. An economic analysis is normally scheduled to be performed two to three years prior to a construction project for that facility being submitted to the Congress for authorization and appropriation. Because of budgetary constraints, a project for the composite medical facility at Bergstrom Air Force Base is not in the current Air Force FY 87–91 program; and, therefore, an economic analysis has not been initiated. With the recent transfer of design and construction funds for military health care facilities from the Services to a newly established Defense Medical Facilities Office (DMFO) which will be fully operational 1 October 1986, the DMFO will develop a single DoD health care construction program. This will include an assessment of the existing facilities, including Bergstrom Air Force Base, and their capabilities. The results of this effort will determine the fiscal year required for military construction at Bergstrom and the year a detailed economic analysis will be conducted by the DMFO.

[CLERK'S NOTE.—Questions submitted by Mr. Loeffler follow:]

BROOKE ARMY MEDICAL CENTER

QUESTION. I would like to ask Dr. Mayer, why has the Department not produced a force sizing model for military medical centers, particularly for Brooke, as recommended by the Blue Ribbon Panel on Sizing?

Dr. MAYER. Development of the Military Health Services System (MHSS) Sizing Model, formerly referred to as the "force sizing model," is progressing satisfactorily. The model will be completed in sufficient time to permit its use as one of the many factors affecting the decision for replacing the Brooke Army Medical Center. The principal milestone determining the pace of development of the model has been the availability of medical readiness requirements from the Services. You should know that the Services have been most cooperative during this period by providing advance "working document" versions of their requirements data. There has been more cooperation and sharing of information in this very sensitive area than with any other issue recently addressed. However, we have not yet received the formal responses to our requests from either the Army or the Navy. For that reason, until the Services tell us officially that we have the data they wish to provide, the model, now loaded with "draft" data, will provide what can only be described as "draft" outputs. I do expect the model to be fully operational in the near future.

QUESTION. I would also like to ask the Assistant Secretary, what research can be cited which supports the 300-bed, 150-bed, or 25-bed options for Brooke which he requires in the joint staffing?

Dr. MAYER. The Report of the Blue Ribbon Panel on Sizing Department of Defense Medical Treatment Facilities includes an analysis of four options for replacing the Brooke Army Medical Center (BAMC). The options range from 0-beds to 695-beds. The alternatives I have chosen for the joint staffing report further bracket the full range of possible options. This kind of analysis is absolutely essential if we are to spend money in the most critically essential areas. Be assured that should the analysis support it, I have no problem in recommending that BAMC be replaced with a large tertiary care teaching hospital. Nonetheless, today we must deal with the reality of setting priorities. My final recommendation to the Secretary of Defense will be based on hard analysis of facts in light of those priorities.

Question. I would further ask of Dr. Mayer, does the joint staffing study of Brooke take into account the impact upon Army medical readiness of drastically reducing Brooke at the same time that the medical teaching facility at Fitzsimmons Army Medical Center in Denver is under a base closure study ordered by Dr. Mayer?

Dr. **Mayer.** The joint-staffing study being conducted in the San Antonio area is predicated upon three options for sizing the replacement of the Brooke Army Medical Center. It is precisely because of the impact on the other 167 hospitals in our system and the people they serve that it is prudent to consider all the options. I can then make a fully informed recommendation to the Secretary of Defense. I can assure you, however, that should replacing BAMC with something other than a large tertiary care teaching medical center result in a reduction in our medical readiness, I absolutely will not recommend doing so.

Question. Wilford Hall Air Force Medical Center administrators have stated it has no excess capacity, and studies have shown that serving military retirees and dependents through CHAMPUS is more costly than through medical centers. Where will the 19,000 yearly admissions and more than one million clinical visits now managed by Brooke be shifted if the size of the replacement facility is sharply reduced from the authorized 450 beds?

Dr. **Mayer.** First, let's make sure, in the interest of full disclosure, that we speak to the same sets of numbers. The physical capacity of the Wilford Hall Air Force Medical Center at Lackland Air Force Base resulting from the modernization and expansion which was completed in 1981 is 1,012 beds. In fiscal year 1983, Wilford Hall and BAMC provided a total average daily patient load of 1,043 patients. Of this patient load, over fifty percent (526 patients) was comprised of beneficiaries who live outside the San Antonio area. Even if Wilford Hall was staffed to operate the hospital at an 85% occupancy of 860 beds, 100% of the local population could readily be served, and still allowing for over 300 patients to be admitted on referral from outside the San Antonio area. An additional 25% of the referral workload could be accommodated at Wilford Hall by staffing the hospital to operate at 90% occupancy. The remaining 130+ patients could be referred to other major military referral hospitals.

As to the large number of outpatient visits now handled at BAMC, any alternative replacement facility will have to accommodate a large ambulatory care workload. Further, I expect the San Antonio area, because of its relatively large active duty and retired populations, to be one of the more successful areas for implementing the competitive strategies planned for the new CHAMPUS initiatives.

Question. Wilford Hall has no clinical facilities to support the scale of graduate medical education now being conducted at Brooke or to support the Institute of Surgical Research at Brooke. What costs to medical readiness will ensue from the loss or relocation of these programs?

Dr. **Mayer.** As to that part of your question related to graduate medical education, I can assure you that we will continue to train no less than the current numbers of physicians in wartime related specialties. Additionally, the Services have been directed to increase training in those specialties, either in their own programs or by increasing the amount of training carried out in the civilian sector. Many of the system-wide graduate medical education training issues we have been discussing for the past year or so will be addressed by a recently established Federal Advisory Committee on Military Graduate Medical Education.

The second part of your question concerns the fate of the Institute of Surgical Research, commonly referred to as the Burn Center. Whatever I finally recommend to the Secretary of Defense as the preferred option for replacing Brooke will include a recommendation that the Institute of Surgical Research continue to exist either at Wilford Hall or some other military treatment facility. The Institute is a major national asset which must not only be permitted to continue on with its superior quality work, but must have its capabilities enhanced.

This fragmentation is undesirable, and we are losing a lot of efficiency and productivity.

To give you an example, the head of one of DoD's activities with about 1,000 people, came to us about a year ago and said, "do you realize that you have my people scattered in seven different locations, and that I am losing about 20 percent productivity?" So you can imagine with 92 buildings out there, how much productivity that we are losing.

[CLERK'S NOTE.—This concludes Mrs. Loeffler's questions.]

Mr. HEFNER. We will now hear from Mr. Walt Freeman, the Director of Space Management and Services on the Pentagon request for $2.5 million for demolition of the Pentagon's south parking lot, and $22.5 million in design funds for a new building.

STATEMENT OF WALT FREEMAN, DIRECTOR, SPACE MANAGEMENT AND SERVICES, WASHINGTON HEADQUARTERS SERVICES

Mr. FREEMAN. I have nothing in writing. I will make a statement, Mr. Chairman. I appreciate the opportunity to comment on our requirements for Pentagon management. Currently in the Department of Defense, we have people scattered around the National Capital Region in about 92 buildings, totaling 11 million square feet of office space.

About 55 percent of this is leased space, 45 percent of the space is government-owned.

PENTAGON ANNEX

Mr. HEFNER. You are losing 20 percent productivity. How many people did we add in the Pentagon in the past five years?

Mr. FREEMAN. We have not added any people in the Pentagon. We stay somewhere at around 24,000 to 25,000.

Mr. HEFNER. We have no more people in the Pentagon?

Mr. FREEMAN. Not in the Pentagon itself.

Mr. HEFNER. We have no more people in the Pentagon? What about outlying region?

Mr. FREEMAN. Since 1980, a little over 6,000 people.

Mr. **Hefner**. Added to how many? Has it taken up the 20 percent decrease in productivity? Are there enough people on board to take up the slack in productivity?

Does that question make sense? If you lost 20 percent productivity and you have added 6,000 people, is that enough people to take up the lack of productivity that you have had by being scattered?

Mr. **Freeman**. I referred to one particular DoD activity. That director stated he is losing productivity by having his people scattered in seven different locations around the Washington area.

Mr. **Hefner**. I am sorry. Go ahead.

Mr. **Freeman**. Our concept plan is to have the Pentagon as the hub of the activity, with Crystal City, Rosslyn, and the Skyline areas being in close proximity, so that we can do our best a lot more efficiently than we are doing now.

The other problem, being in such large amounts of leased space, we have to go in and make computer rooms, or secure areas and in a few years, the lease runs out, and we have to relocate these facilities in some other building, and that is very costly.

We would like to get these types of activities into government buildings. There are certain functions that should be in the Pentagon right now, but we cannot bring these people into the Pentagon. If not in the Pentagon, they should be as close as possible.

That is the reason we need the Pentagon annexes. The Pentagon is 42 years old, and the General Services Administration is conducting a building evaluation of the Pentagon.

We are having a lot of leaks in the Pentagon.

Mr. **Hefner**. Literal leaks?

Mr. **Freeman**. Pipes, water leaks throughout. The heating, air-conditioning, and ventilation equipment needs to be replaced, upgraded, and the electrical wiring throughout needs to be replaced. We need to do a major overhaul of the Pentagon.

Having the Pentagon annexes close by, we would use them as swing space.

Mr. **Hefner**. There are a lot of people around here that would agree with you, that we need to overhaul the Pentagon.

Mr. **Freeman**. Materials, Mr. Chairman. There are a lot of reasons that we do need a Pentagon annex, to consolidate our people closer where we can accomplish our mission a lot more efficiently, and that is what we are asking for.

The $2.5 million, that is for the site preparation, and that will start in 1987.

Mr. **Hefner**. Mr. Freeman, according to the justification material, this project paves the way, or should I say, unpaves the way, for construction of a $425 million, 3 million square foot annex to the Pentagon. First, could you explain what studies, if any, have been done to justify the construction of this new edifice of freedom? Have you done any extensive studies that you could give me?

Mr. **Freeman**. There have been studies 2 years ago by GSA saying we had a requirement for over 2+ million square feet of space, which did not include requirements for the Navy.

A few years ago, going back to about 1968, in the main Navy-Munitions Buildings, we had government-owned space totaling 1.7 million square feet, that were torn down, so that put us into about 14 different locations of leased space.

The Forrestal Building in 1978, when we were ordered out of there, gave up 1.1 million square feet of space, so that is 2.8 million square feet of government space that we were moved out of, and we think we need to move back into that amount of government-owned space.

Mr. **Hefner**. This committee has been pushing the Department to move out of leased space in the Washington area as a way to save money. We have been talking about moving over to the Naval Yard. We have got how many square feet over there that could be utilized, somewhere around 1 million square feet. We ran into some problems wanting to move from Virginia because of political considerations. However it had very positive economic returns. How long do you think it might take to amortize construction for this Pentagon Annex.

Mr. **Freeman**. The original Pentagon was built for $83 million, and at that time, it was figured that the payback on that was seven years.

Building annex, versus leasing space, using OMB's Circular A-104, shows that there would be a net savings of $170 million over 30 years.

[Supplemental information follows:]

When compared to the $83 million cost for construction of the original Pentagon Complex which consolidated the then War Department from 17 buildings in one location and returned the cost of investment to the Government within 7 years, the proposed construction of additional Government-owned space at the Pentagon site will be a bargain when it is considered that the cost of investment can again be returned within a 7 year period. In addition, the economic analysis completed by GSA in accordance with OMB Circular A-104 indicates that new construction will save, after amortizing the cost of constructing the buildings, a net of $170 million in facilities costs alone, in contrast to continued leasing over a 30 year period. Also, a minimum savings of $25 million each year over the 30 years (an accumulation of approximately $330 million in annually deflated dollars) will accrue by avoiding the expense of personnel traveling between numerous and widely disbursed DoD occupied buildings in the NCR. Futhermore, it is projected that by consolidating our organizations into expanded Pentagon facilities, DoD can increase productivity by up to 10% with a resultant annual savings of about $60 million, reduce existing high administrative support costs, and overcome serious physical security problems.

Mr. **Freeman**. That is just building versus leasing.

Mr. **Hefner**. How much?

Mr. **Freeman**. $170 million net over 30 years' savings. That takes into account that we are buying land, paying insurance, taxes, everything, so that is a low figure. If you look into it again on productivity——

Mr. **Hefner**. That would figure out to something about over 100 years?

Mr. **Freeman**. That part. Look at loss of productivity by having your people scattered in small pockets around the region, that is a very inefficient way of doing business.

Take the figure that one activity said of saving 20 percent, if you have the other three million square feet of space, and the average salary is $30,000 a year, you put 20,000 people in there, that is $600 million a year.

If you can save 10 percent on that, then you are saving $60 million a year. This shows that payback would be 7½ years by itself. Plus the costs again of going out and putting computer spaces, secure spaces in these leased buildings out there, that can double the cost of construction, maybe $200 to $300 a square foot, so we are making all those savings which add up to quite a bit of money, and it gets more expensive every year.

We think most of the homeowners around now have found it is less expensive to buy your own home than continuing renting long-term——

Mr. HEFNER. Can you write it off on your taxes, too?

Mr. FREEMAN. Yes, sir.

Mr. HEFNER. You pay GSA a substantial sum for rent via the SLUC fund. Why is the construction of this new facility not proposed for funding through GSA?

Mr. FREEMAN. We discussed funding with GSA and also the Public Works Subcommittee, and there is insufficient money in the Federal Building Fund to fund this project.

We think the interest is at DOD in trying to be more efficient, and we have the immediate time interest of trying to build on to this program. Not only building the buildings out there, but if we do not have the Pentagon annexes, we will have to go to GSA in about 1990 and say we need a million square feet of space each year, and look at the cost of leasing space at $25 a square foot. That is about $25 million a year that they would have to come up with in leased swing space in order to overhaul the Pentagon.

Mr. HEFNER. Staff has a question.

Mr. MURRAY. In the new building, would the Pentagon own that, free and clear of GSA, or would they be required to pay GSA SLUC funds?

Mr. FREEMAN. That has not been decided yet. The original Pentagon was built with MilCon funds.

One of the options later on would be to take the Pentagon and the annexes and turn them into a military reservation. That is an option.

Mr. HEFNER. What is the stage of design for this facility? Where are you in the authorization with the MilCon folks in the Senate and in the House? Where are we on this thing?

Mr. FREEMAN. Right now, a GSA planning consultant has completed a preliminary report saying, yes, it is feasible to build 3 million square feet of office space at the Pentagon complex.

That report will be finalized in May. At this time, we will be setting up a task force, have a design engineer to come in, start our site preparation next spring, and then construction in fiscal year 1987.

We have asked now for the $2.5 million for site preparation, and $22.5 million that you mentioned there for the design.

Mr. HEFNER. This is new to this committee. In light of Gramm-Rudman it is pretty bad timing, if you know what I mean. We are sitting on the Budget Committee trying to find ways to get to a $144 billion deficit by 1987. We have got the big argument of, are we going to have real growth in defense?

Are we going to have a freeze, what have you? It is like a pay raise for Members of Congress, it is not a good time, and I think that—you don't know where you are with authorizing committees in the Senate, the mil con people in the Senate and in the House.

Mr. FREEMAN. It is before the committee, and the hearings are ongoing right now.

Mr. **Hefner**. This is the first week, and I have some very good friends that are on the authorizing committee, and I haven't heard a thing about this.

Mr. **Freeman**. I have to apologize for that. We have briefed the Public Works Committee at some length, and offered other briefings to other staffs over here.

Mr. **Hefner**. I do not want to be too argumentative with you, sir, but we spend a lot of our time with all the different Services, because this is the committee where the money comes from. You can get all the authorization you need, but the money has to come through this committee.

We are always the last ones to know. When someone is going back door with spending, R&D money, we are the last ones to know. We decide how much money you are going to get.

If you are going to rip up this parking lot, and get $22.5 million in design funds for a new building, it gets a little bit disturbing when we are always the last ones to know. We try to be a committee that is not partisan, and do the best we can for the quality of life, taking the meager funds that we have and dispersing them to get the best bang for our buck. We sometimes get a little parochial, and tired of saying, well, we have talked with the Senate staff folks, the Senate committee, with the House authorizing, the Armed Services Committee, and we are sorry we didn't get to you boys before this.

Mr. **Freeman**. Sir, I would like to apologize for that, and we will be glad to come over and give you an in-depth briefing on it.

Mr. **Hefner**. We would like to be the first.

Mr. **Freeman**. We will remember that next time. I apologize for that. As far as Gramm-Rudman, this is one of the positive things coming forth, as far as saving money, and also cost avoidance.

Mr. **Hefner**. What is positive?

Mr. **Freeman**. The construction project is positive as far as saving money in the out years. It will not save it in the next couple of years, but it will in the out years by owning your own building. The leasing rate goes up every year.

Mr. **Hefner**. I understand that. I understand a little bit about economics, not a lot, but I do understand, I have served for six years on the Budget Committee, we are now trying to get to a $144 billion deficit for 1987. We are doing good if we can get to that $144 billion deficit.

I do understand there are areas of the budget we have to consider other than DOD. There are many other functions for which we are trying to find $50 million here and there, and there are other projects. I might sound like I am jumping on you, but you are the man that is here.

You talk like you might be like one of the fellows from down home. Where are you from, sir?

Mr. **Freeman**. I was born in Nashville, Tennessee.

[Clerk's note.—Additional questions submitted by Mr. Hefner follow:]

Question. How much in annual SLUC fees does the Department pay for SLUC?

Answer. The FY 1986 Standard Level User Charges (SLUC) for the Department of Defense (DoD) space in the National Capital

Region total $152.2 million. Since the implementation of the Federal Buildings Fund (PL 92-313) in FY 1975, DoD has paid the General Services Administration more than $1.2 billion in SLUC for space in the National Capital Region. The cumulative charges for the Pentagon equal $442 million which is approximately 35% of the $1.2 billion paid to GSA during FY 1975—1986. (See chart below).

DOD SLUC PAYMENTS TO GSA SINCE IMPLEMENTATION OF PUBLIC LAW 92-313

[National Capital Region Only]

Fiscal year	Total cost DOD	Pentagon total
1975	$73,305,769	$24,100,895
1976	83,975,669	29,663,333
1977	80,779,790	28,826,584
1977 (transition)	19,985,977	6,943,197
1978	80,603,996	26,790,045
1979	95,812,572	26,775,029
1980	78,782,975	26,805,662
1981	99,679,338	42,522,474
1982	101,516,684	42,197,605
1983	103,628,842	42,124,850
1984	129,744,186	47,740,664
1985	152,280,464	48,579,249
1986 (projected) [1]	152,451,744	48,596,409
Totals	1,252,548,006	441,665,996

[1] These figures do not include additional space to be assigned to DoD by GSA at 400 A/ND, Skyline 6, and Crystal City in fiscal year 1986.

Question. The plan indicates a need for 4 to 9 buildings varying in height from 4 to 14 stories. How was this plan developed?

Answer. The General Services Administration engaged the firm of Keyes, Condon and Florance; Architects Planners, to assist the government in developing a Master Plan for the Pentagon Complex. Under this contract, the firm examined all the constraints to development (traffic, utilities, suitable land) and prepared six alternative concepts for the development of the site, and these concepts envisioned buildings ranging in height from 4 to 14 stories. The firm is now preparing two refined concepts, both of which limit the height of new construction to 5 stories above grade, the approximate height of the Pentagon.

Question. What is the precise stage of design for this facility and when do you plan to initiate a design contract?

Answer. The Master Development Plan is scheduled for completion in May/June 1986. In conjunction with this action, the Department of Defense will be securing the services of an Architect/Engineer firm to design the buildings. As the attached data indicates, the Master Development Plan is approximately 60% complete.

Question. Has the National Capital Planning Commission been made aware of these plans?

Answer. Yes, from the very beginning. NCPC representatives have made two or three on-board reviews at the Architect's office (Keyes, Condon and Florance) and two formal presentations have been made to the full Commission in Executive Session.

Question. Please provide for the record all relevant studies and plans relating to this initiative.

Answer. The above documentation provides the answer to this question, specifically these documents are:

(a) Economic Analysis (OMB Circular A-104 Lease vs. Construction Comparison).

(b) GSA/DoD joint letter agreeing that funding should be acquired via MILCON.

(c) Background paper on DoD National Capital Regional Consolidation Program (Pentagon Annexes).

(d) Photographs of two refined concepts.

(e) Preliminary Refined Concepts: Comparative Analysis.

(f) Technical Report: Pentagon Complex Master Plan.

Question. Additionally, a response is given herewith to a question which was asked by the Subcommittee subsequent to the Hearing: How much leased space does DOD occupy in the NCR over the past five years?

Answer.

DOD LEASED SPACE DATA (FISCAL YEARS 1980–85)

Fiscal year	SF leased	SLUC	Authorized pers	Avg. $/SF
1980	4,614,221	$40,931,960	32,170	8.87
1981	5,057,140	44,113,745	33,086	8.72
1982	5,130,826	46,714,614	35,212	9.10
1983	5,250,170	49,248,602	37,674	9.38
1984	5,474,249	67,270,899	37,538	12.28
1985	5,636,418	87,296,247	37,632	15.48

Also provided is the amount of Government-owned, GSA controlled space occupied by DoD in the National Capital Region.

ALL TYPES OF DOD GOVERNMENT-OWNED SPACE DATA (FISCAL YEARS 1980–85)[1]

Fiscal year	Sq. Ft.	SLUC	Authorized pers	Avg. $/SF
1980	8,605,158	$37,851,015	30,951	4.39
1981	8,109,327	55,565,593	30,581	6.85
1982	7,975,161	54,802,070	30,082	6.87
1983	8,035,505	54,380,240	30,589	6.76
1984	8,472,279	62,473,287	32,025	7.37
1985	8,522,099	64,984,217	33,173	7.62

[1] Space classifications include administrative, parking and joint-use. For example, in 1985 DoD paid $64.9 million for 8.5 million million square feet of which 5.0 million square feet was administrative and 3.5 million square feet was parking and joint-use.

[Clerk's note.—This concludes Mr. Hefner's questions.]

Mr. **Hefner**. I was born in Tennessee. I would like for you to get me as many studies concerning this project as you can. Thank you for being with us today.

We will now hear from Carl Schafer, Director of Environmental Policy for the Department of Defense. Dr. Schafer, please summarize your statement. We are running a little bit behind.

STATEMENT OF CARL J. SCHAFER, JR., DIRECTOR, ENVIRONMENTAL POLICY, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (ACQUISITION AND LOGISTICS)

Mr. **SCHAFER.** Thank you, sir. It is a pleasure to appear before you again. This is my second time. I will be very brief, Mr. Chairman.

In the field of environmental protection, there are $53.5 million included for your consideration in the military construction bill before you.

The $35.5 million deal with the subject of hazardous waste and will be covered by the person you will hear from later. The balance of it deals with water pollution control facilities.

When I was here before you last, I talked about our hazardous waste clean-up program, Department of Defense Analog, if you will, to the so-called Superfund Act. I described what went on at that point. We have made a great deal of progress in the past year, as my prepared testimony indicates.

We have cleaned up 127 sites, and we have something over 300 sites under cleanup, and a great deal of activity.

Of particular interest to point out to you is that with the fiscal year 1986 Defense Appropriations Act, this program has been centralized in the Office of the Secretary, under the concept of a transfer account, which includes provisions as I understand that will enable these defense environmental restoration funds to be transferred into the appropriate Service's mil con accounts.

We are in the process of working out just how that will set up, and we will be working with your staff and others on the Hill as time goes on.

Finally, I would like to point out that Superfund itself is in the process of being reauthorized, and that there are a number of provisions contained in that Act, in that bill, that will affect the cleanup program by DOD, and one particular provision of the bill as proposed which directly affects the MilCon process is an approval process we are working out.

This concludes my very brief remarks.

[The statement of Mr. Schafer follows:]

HOLD UNTIL
RELEASED BY THE
COMMITTEE

STATEMENT OF
CARL J. SCHAFER, JR.
DIRECTOR, ENVIRONMENTAL POLICY
OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
FOR ACQUISITION AND LOGISTICS

BEFORE THE
SUBCOMMITEE ON MILITARY CONSTRUCTION
HOUSE APPROPRIATIONS COMMITTEE

WEDNESDAY, MARCH 5, 1986

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE

INTRODUCTION

IT IS A PLEASURE TO TESTIFY BEFORE YOU AGAIN. A LOT HAS HAPPENED SINCE I APPEARED BEFORE YOUR COMMITTEE LAST YEAR. THE SUPPORT YOU OFFERED HAS PROVEN INVALUABLE IN POSITIONING OUR HAZARDOUS WASTE CLEANUP PROGRAM FOR THE REAL JOB OF CLEANUP WHICH WILL FOLLOW THE NECESSARY PRELIMINARY STUDIES CURRENTLY IN PROGRESS.

FY 87

IN ORDER TO DISCUSS THE FY 87 MILCON PROGRAM IN AN ORDERLY FASHION, LET ME FIRST ADDRESS TWO MAJOR DISCUSSION AREAS: ENVIRONMENTAL PROJECT FUNDING LEVELS FOR FY 87, AND SPECIAL PROVISIONS OF THE FY 87 MILCON BILL.

A TOTAL OF $53.5 MILLION IS REQUESTED FOR ENVIRONMENTAL PROJECTS IN FY 87. TWO-THIRDS OF THIS ($35.5 MILLION), IS FOR HAZARDOUS WASTE MANAGEMENT. OF PARTICULAR INTEREST IS THE INCLUDED REQUEST BY DLA FOR $21.4 MILLION TO CONSTRUCT HAZARDOUS WASTE STORAGE FACILITIES AT UNSPECIFIED LOCATIONS. THE SUBJECT IS COVERED IN MORE DETAIL IN TESTIMONY FROM THE DEFENSE LOGISTICS AGENCY, BUT I DID WANT TO IDENTIFY THIS TYPE OF INITIATIVE AS REFLECTING OUR NEED FOR YOUR SUPPORT IN ORDER TO COMPLY WITH ENVIRONMENTAL LAW. THE "BLOCK" FUNDING APPROACH WILL ENABLE TIMELY CONSTRUCTION OF NECESSARY WASTE STORAGE FACILITIES AS

PERMITS AND OTHER PERMISSIONS BECOME AVAILABLE. WE ARE WORKING WITH THE ENVIRONMENTAL PROTECTION AGENCY TO EXPEDITE THE PERMITS AND HAVE DEVELOPED A STANDARD DESIGN FOR HAZARDOUS WASTE STORAGE FACILITIES WHICH IS BEING COORDINATED WITH EPA HEADQUARTERS FOR APPLICATION TO MILITARY FACILITIES NATIONWIDE. ONCE THE STANDARD DESIGN IS APPROVED IT SHOULD SPEED THE REVIEW PROCESS AT REGIONAL EPA OFFICES. OTHER INITIATIVES SUCH AS A TWO-STEP RCRA PERMIT ARE BEING CONSIDERED TO ALLOW HAZARDOUS WASTE STORAGE FACILITIES CONSTRUCTION TO PROCEED WHILE THE FATE OF INDIVIDUAL SOLID WASTE MANAGEMENT UNITS ARE BEING EVALUATED. IN ADDITION TO OUR HAZARDOUS WASTE NEEDS THE DEPARTMENT HAS BUDGETED EIGHTEEN MILLION DOLLARS FOR A NUMBER OF WATER POLLUTION CONTROL PROJECTS. THESE ARE PRINCIPALLY WASTEWATER TREATMENT AND CONTAINMENT FACILITIES TO MEET THE REQUIREMENTS OF THE CLEAN WATER ACT.

ENVIRONMENTAL PROGRESS -- AN UPDATE

LAST YEAR I CHARACTERIZED OUR HAZARDOUS WASTE CLEANUP PROGRAM AS BEING LARGELY CONFINED TO THE STUDIES NECESSARY TO FUTURE CLEANUP. I AM PLEASED TO REPORT THAT IN THE INTERVENING YEAR, WE HAVE MADE SUBSTANTIAL PROGRESS ON THOSE STUDIES, AND INITIATED A SIGNIFICANT NUMBER OF CLEANUPS. WHERE LAST YEAR WE HAD COMPLETED ONLY 75% OF OUR PRELIMINARY ASSESSMENTS, WE HAVE NOW COMPLETED 90% OF THEM. REMEDIAL INVESTIGATIONS ARE NOW COMPLETE IN 34% OF THOSE NECESSARY, AND IN PROGRESS AT 52%. FINALLY, AND MOST IMPORTANTLY, WE CAN NOW REPORT THAT CLEANUPS ARE COMPLETE AT 28% OF THOSE SITES IDENTIFIED FOR CLEANUP, AND IN

PROGRESS FOR 72%. IF YOU WONDER WHY I'M COMPARING FORMER AND CURRENT PERCENTAGES, IT'S BECAUSE WE HAVE CONVERTED OUR STATUS REPORTING SYSTEM TO IDENTIFY SPECIFIC SITES, NOT JUST INSTALLATIONS SO AS TO CONFORM WITH EPA'S REPORTING FORMAT. A COPY OF THIS REPORT, NOT PREVIOUSLY MADE AVAILABLE IS ATTACHED. IN IT, YOU WILL NOTE THAT CLEANUPS ARE FINISHED AT 127 SITES, IN PROGRESS AT 103, AND AWAITING INITIATION AT 131.

IN AIR AND WATER POLLUTION CONTROL, THE DEPARTMENT CONTINUES ITS FINE PERFORMANCE AS REPORTED LAST YEAR.

OTHER LEGISLATIVE INTEREST

I BELIEVE I SHOULD MENTION FOR THE RECORD AT LEAST, THAT THE DEFENSE ENVIRONMENTAL RESTORATION ACCOUNT HAS BEEN ENACTED AS A SEPARATE APPROPRIATION IN THE DEFENSE APPROPRIATIONS ACT IN 1986. THE CONCEPT IS THAT OF A CENTRAL HOLDING ACCOUNT FROM WHICH MONEY MAY BE TRANSFERRED TO SPECIFIC SERVICE ACCOUNTS ACCORDING TO NEED. IT IS OF NOTE THAT THE PROVISION ALLOWS TRANSFER FROM THE CENTRAL ACCOUNT INTO A SERVICE MILITARY CONSTRUCTION ACCOUNT. IN THE FY 88 PROGRAM WE ENVISION IDENTIFYING THOSE PROJECTS WHICH BY DEFINITION ARE MILCON AS LINE ITEM REQUESTS IN THE NORMAL BUDGET PROCESS, AND ONLY UTILIZING THE TRANSFER ACCOUNT PROVISION FOR THOSE PROJECTS REQUIRING IMMEDIATE RESPONSE DUE TO IMMINENT AND SUBSTANTIAL DANGER TO PUBLIC HEALTH. WE ARE WORKING WITH YOUR STAFF AND APPRECIATE THE SUPPORT AND COOPERATION WE HAVE RECEIVED.

FINALLY, YOU SHOULD ALSO BE AWARE THAT SOME CHANGES IN DOD REQUIREMENTS FOR HAZARDOUS WASTE CLEANUP COULD RESULT FROM SUPERFUND REAUTHORIZATION LEGISLATION NOW IN CONFERENCE BETWEEN THE HOUSE AND SENATE. GENERALLY, THOSE CHANGES REQUIRE MORE APPROVAL PROCESS BY EPA AND STATES FOR DOD CLEANUP DECISIONS, LONGER TIME FRAMES FOR ACCOMPLISHMENT, AND MORE STRINGENT CLEANUP REQUIREMENTS. THE OVERALL IMPLICATION IS OF A MORE EXPENSIVE PROGRAM.

SUPERFUND

Mr. **Hefner**. Thank you, Dr. Schafer.

The Superfund legislation now in conference may require a more extensive permitting procedure according to your statement. Expand on this and explain why DOD legislative proposal this year requests a waiver of current law to expedite construction of these storage facilities.

Mr. **Schafer**. The two legislative proposals are actually unrelated. The Superfund reauthorization issue is whether extensive permitting requirements under RCRA should be imposed on activities to clean up active hazardous waste dumpsites. We feel they should not. But the issue addressed in the proposed general provision to the Military Construction Act is different in that RCRA already requires the same extensive permitting requirements for facilities to manage new hazardous waste. In the case of the interim collection transfer storage that DoD needs to conform to RCRA requirements we feel that the permitting process presents an unintended obstacle to a straightforward, low technology, solution to an environmental issue.

Mr. **Hefner**. The rest of the questions, we will just give you, and you will give us an answer for the record.

[Clerk's note.—The following questions were submitted by Mr. Hefner:]

HAZARDOUS WASTE STORAGE

Question. The justification indicates an eventual need for $100 million for these types of facilities. Explain the requirement for 160 storage facilities in terms of the type of materials and locations.

Answer. The Federal Property Management Act of 1949 governs the disposal of excess government property. The Defense Logistics Agency and its field activity, the Defense Reutilization and Marketing Service, are the Department of Defense agents for the disposal of most excess DoD personal property. DoD Defense Environmental Quality Program Memorandum 80-5, promulgated by the Office of the Secretary of Defense, assigned responsibility for disposal of most DoD excess hazardous property, including waste, as defined by the Resource Conservation and Recovery Act of 1976, to DLA. When hazardous property is no longer needed by the Military Service, it is turned into the servicing field office designated for that geographical area for disposal.

Hazardous property includes both hazardous material and hazardous waste, and is grouped in categories of chemicals such as flammables, combustibles, toxics, oxidizers, corrosives, paints and oils. Most of these items are commonly found for sale throughout the civilian retail establishment. Hazardous material includes that type of property that is disposed of by reutilization within DoD, transfer to other federal agencies, donation to the State Agencies for Surplus Property or sale to the general public. Hazardous waste is a term used to describe hazardous property regulated by RCRA and which generally cannot be disposed of by reutilization, transfer, donation, or sale because it has been contaminated through use, or has an expired shelf life. This type of waste is disposed of in an environmentally safe manner in accordance with federal, state and local laws by Environmental Protection Agency licensed waste disposal service contractors.

DLA was directed to determine hazardous materials/hazardous waste conforming storage requirements to support its assigned disposal mission. To assist in the effort, the DoD components in coordination with DLA, assessed the adequacy of the storage capabilities at each installation to support the DLA hazardous materials disposal mission. In doing so, the DoD components provided estimates to DLA of the projected future generations of hazardous materials which would be turned in for disposal. Under DLA lead, and through a coordinated DLA/DoD component team, the total requirements for hazardous material/hazardous waste conforming storage facilities were identified for each installation having a servicing field office.

There are a total of 224 locations worldwide. The locations identified for siting conforming storage facilities have been selected on the basis of volume of hazardous property generated in the area, availability of a servicing field office, environmental criteria, suitability of adjoining land use areas, transportation routes, economic utilization of DoD resources, and centralization of pickup points for disposal contractors. This property must be moved to a facility permitted for shortage in accordance with RCRA to eliminate severe environmental and personnel safety problems that would result if the property were allowed to remain at the generating points, and satisfy the strict RCRA property accountability, storage, disposal, and tracking requirements.

Question. Authorization Act proceses several legislative changes to these procedures. Outline the impacts of this legislative proposal.

Answer. In Section 804e of the general provisions, we are asking for a change in the environmental permitting requirements of the Solid Waste Disposal Act. The current requirement is that construction of hazardous waste storage facilities may not begin until a Resource Conservation and Recovery Act permit is issued. The proposal is that construction of this type of facility may commence at the time the application for a permit is filed, provided that operation of the facility does not begin until the permit is issued.

The problem is that can take anywhere from 12 to 24 months to obtain a RCRA permit. In short, we do not know how long any given permit will take for issuance and whether any given project can be constructed during the period authorized. For example, the Defense Logistics Agency permit application for a conforming storage facility in Hawaii was submitted in March of 1985 and approval is not expected before December of 1986, beyond the period for which MILCON money is authorized. Therefore, we anticipate that we will have to get this project reauthorized. These processing delays and the uncertainty associated with the permitting process make it difficult to plan for the construction of hazardous waste storage facilities.

By allowing construction to proceed at the time of permit submission, the facilities would be ready for operation when the permit has been issued. This would speed up the process of providing storage of hazardous waste in conformance with RCRA. We are working with the Environmental Protection Agency to develop a prototype permit so that the approval of our permit applications will be virtually assured.

The remainder of the proposed Section 804 legislation deals with block funding for the construction of hazardous waste storage facilities. Block funding is needed because the normal MILCON line-item identification process will not allow us sufficient flexibility to build conforming storage facilities as quickly as we required.

Under the normal procedure, each project submitted to Congress must not only be at 35% design, but it must have been through the National Environmental Policy Act documentation process, which results in either a categorical exclusion, a Finding of No Significant Impact, or in some cases, the completion of a full-blown Environmental Impact Statement (EIS), a process which can easily take one to two years or more. We would have to have completed this process for all of the projects to be built in FY 87 by last fall. We do have 35% design, but the complexity of the environmental permit process will prevent us from having all the environmental documentation before 1987.

Our experience has been that even after we have made a Finding of No Significant Environmental Impact, environmental concerns or other issues have been raised later in the planning and programming process which have materially delayed some projects. For instance, a hazardous waste storage project at Norfolk in the FY 84 MILCON program had to be delayed because of a public outcry about its proposed siting at St. Julian's Creek. We are now in the EIS process, but in the meantime, authorization for the project has lapsed and it is now being identified as an FY 88 project, resulting in a 4-year delay.

Because of all the potential delays inherent in taking any individual project up to the point of construction contract advertisement/award, it is not possible to accurately predict two years in advance exactly which projects will be "ready" in the budget year.

Consequently, we need a procedure where we have the flexibility to select from a number of projects, all of which must be built within the next three years.

We feel that block funding provides us this necessary flexibility. If the legislative proposal on block funding is approved, we could execute projects as they become ready, using the unspecified minor construction procedure. That is, we would notify Congress before beginning construction on any individual project. We would also notify each congressman, in advance, of any construction planned in their District, and would be prepared to provide, on request, both to them and their staffs, an in-depth briefing on our plans to ensure there are no unresolvable community objections. This would apply to all the projects for which the requested authority pertains.

To give us the ability to execute our FY 87 MILCON program as just described, we have identified more projects in our request than could be accomplished within the $21.4 million block funding available.

Question. The justification contains a list of numerous locations identifying dollar amounts totally $30,357,000. Explain the EPA permitting process, the current role of the local and state governments and how those locations listed will be prioritized.

Answer. Environmental Protection Agency regulations under the Resource Conservation and Recovery Act establish a lengthy and exhaustive permitting process which must be completed prior to the construction of a new hazardous waste treatment, storage or disposal facility. The preparation of the permit application for a storage facility has typically taken DoD 4–6 months to complete. The application addresses such issues as facility design, operation safeguards, spill prevention plans, waste analysis procedures, closure plans, personnel training, etc.

Permit applications are submitted to the appropriate regulatory agency—either the EPA Region or the state authorities where the state has received authorization from EPA to issue permits. The permit is filed with both EPA and the authorized state if there are corrective action issues such as an inactive landfill at the facility. Local authorities are not normally involved in the permitting process. The regulatory agency conducts a detailed examination of the permit application in order to be able to assure the public that the proposed facility fully complies with the law. This is often an interactive process with the applicant providing explanation, clarification and modifications to the permit application. The regulatory agency then issues a letter of completeness, hold public hearings, and takes action to issue a permit. DoD has found that it takes regulatory agencies 12–24 months to review and approve permit applications. The processing of permits is subject to two sets of priorities, the regulatory agency's and DoD's. EPA and the authorized states by statute must clear the existing backlog of permits as follows: for land disposal facilities by 8 November 1988; for incinerator facilities by 8 November 1989; and for storage and all other facilities by 8 November 1992. New projects must compete with this mandate for approval and are not subject to the above dates. EPA is candid about the fact that storage facilities are their lowest priority. DoD's first priority is given to facilities with compliance orders, with the remainder prioritized by need and ability to complete the site selection, design, and environmental permitting process.

MC CLELLAN AFB, CALIFORNIA—REGIONAL WASTEWATER CONNECTION

Question. The Air Force has requested $5.8 million for a regional wastewater connection at McClellan AFB. Our understanding is that this project has to be completed by August of 1987 to meet the local requirements. Because provisions of these funds in fiscal year 1987 would *not* enable the completion of construction by this date the Congress directed the Air Force to submit a reprogramming in fiscal year 1986 for it. Are you familiar with this problem and do you know the status of that reprogramming?

Answer. The Air Force investigated the need for reprogramming funds to accomplish the construction of a tie-in connection to the regional waste water collection system and determined that the FY 87 MCP will allow completion of the work to meet the August 1987 deadline.

MARE ISLAND, CALIFORNIA—SEWAGE TREATMENT

Question. A similar problem exists at Mare Island, California with regard to a Sewage Treatment plant. The Congress directed the Navy to submit this as a reprogramming request in fiscal year 1986, but the Navy apparently has no plans to do this and has not included funds in fiscal year 1987 for it. Are you familiar with this problem and what can be done about it?

Answer. The House Armed Services Subcommittee on Military Installations and Facilities inserted an add-on of $5.1 million in the FY 1986 MCON for the Navy's fair share of the Vallejo Sanitation and Flood Control District sewage treatment plant. The Senate did not authorize the project and the conference committee noted that the funds for the Navy share are not required until construction is completed in FY 1988. The Navy intends to request the necessary funds in the FY 1988 MCON.

DENVER AIRPORT CLEANUP

Question. Last year Congress directed DoD to prepare a plan on the cleanup of the former Army industrial site near Denver, Colorado. Funds needed to address this problem have been estimated at $1.5 billion. What is the status of this plan and how long will the plan indicate this cleanup will take?

Answer. The plan will be released for comment this summer to state and local officials and the general public. The plan will set forth necessary actions to complete cleanup by September 30, 1993.

Question. What is the status of the court case between the Army and Shell Oil Company?

Answer. In December 1983, Army filed a $1.8 billion legal action against Shell Oil Company for damages resulting from contamination from Shell's activities on the Arsenal. In November 1985 the court accepted a stipulation that both the Army and Shell each met the definition of a liable party under Section 107 of the comprehensive Environmental Response, Compensation and Liability Act. A trial is scheduled to begin in the fall of 1987 to determine remedy and cost apportionment issues.

Question. Have any final determinations on cost sharing been settled? If so, what are they?

Answer. No final determinations on cost sharing have been settled.

[CLERK'S NOTE.—This concludes Mr. Hefner's questions.]

Mr. HEFNER. We will now turn to the DOD schools request of $109.6 million for fiscal year 1987. Mr. Trepal, you may summarize your statement now.

Mr. TREPAL. I will submit my statement.

[The statement of Mr. Trepal follows:]

Not for Publication Until Released by
the Committee on Apropriations
House of Representatives

Statement of
Terrence A. Trepal
Department of Defense Dependents Schools
Hearing Before The
Subcommittee on Military Construction
Of The
House Appropriations Committee
March 5, 1986

Mr. Chairman and Members of the Committee:

I am Terrence Trepal, Chief of Logistics for the Department of Defense Dependents Schools.

I am pleased to have the opportunity to appear before you today to present the FY 87 Military Construction (MILCON) Program for the Department of Defense Dependents Schools (DoDDS).

Department of Defense (DoD) school construction projects have been included under Title IV (Defense Agencies) in the annual DoD Military Construction Program since FY 79.

DoDDS has 270 schools located in 20 countries, to serve the 152,000 DoD students overseas. Additionally, DoDDS assumed responsibility for the 67 Section 6 schools at 23 locations within the United States in January 1985. The Section 6 schools serve an additional 36,000 students. However, on February 26, 1986, the responsibility for Section 6 schools was transferred to the Director of Dependents Education Policy in the Office of the Assistant Secretary of Defense (Force Management and Personnel).

Many of the schools overseas were established over the past 36 years in temporary, converted, and make-do facilities and, in many situations, remain inadequate for the provision of a quality education for DoD dependents. Over the past few years, military construction funding has improved this situation. However, much remains to be accomplished if this problem is to be alleviated.

It is recognized that existing substandard, overcrowded, unsafe, and unhealthy school facilities should be upgraded or replaced as rapidly as feasible, and that timely, adequate, new facilities should be provided to support new troop missions.

This DoD request includes $92,420,000 for the construction of 21 school projects in 6 countries, plus an additional $17,380,000 for 9 projects for Section 6 schools located in the United States. These projects will provide new schools, major additions to existing schools, and renovation of existing facilities.

Your support of these badly needed school construction projects will result in the provision of adequate, acceptable school facilities which will be capable of providing the security required to maintain accreditation while they are being utilized by dependents of U.S. military and civilian personnel stationed overseas and within the United States.

I thank you for the opportunity of appearing before this committee. This concludes my statement. I would be pleased to answer any questions or arrange for the insertion of answers in the record.

JAPANESE DOD SCHOOLS

Mr. **Hefner**. Last year, the committee denied funding for Japanese schools on the premise that they should be funded through the Japanese Facilities Improvement Program. What is the current policy on funding schools in Japan?

Mr. **Trepal**. As you will notice, we have included no projects for construction in Japan. We are continuing to adhere to the commitment that we made to you last year, through the Director of Dependents Schools and the Commander of the Pacific Forces, to provide requirements to the Government of Japan and request they be funded through the Japanese Facilities Improvement Program.

The only candidates we are considering, even in the out years for MilCon appropriations in Japan are projects which have either been turned down by the Government of Japan, or do not qualify for funding under the Japanese Facilities Improvement Program.

Mr. **Hefner**. Thank you very much. A reprogramming for the Camp McTureous, Japan school has been submitted recently despite the committee's direction last year that cost overruns will not be permitted. Justify the $1 million cost overrun.

Mr. **Trepal**. Yes, I can explain that situation. The Camp McTureous project was submitted last year for reprogramming, and a hearing was held on May 1st.

Following the hearing, this committee and the Senate Appropriations Committee approved the reprogramming with the proviso you indicated.

However, the falling value of the dollar relative to the yen left us short by more than 20 percent. The result of trying to fund the project with the $5.2 million available would be that we would have to delete several very important segments of the school, including the school cafeteria and other features which we felt we would like the Japanese to continue to include in schools that they construct under the facilities improvement program.

We do not believe that, if this is the very last project to be funded with appropriated funds, this is the kind of precedent we want to set, as it might result in the Japanese providing seriously deficient school facilities in the future.

[Clerk's note.—Additional questions submitted by Mr. Hefner follow:]

SECTION 6 SCHOOLS

Question. Last year the authorization for Section 6 Schools was held up until the last minute because of questions on the jurisdiction between the Department of Defense and the Department of Education. How was this issue settled?

Answer. There were two questions related to the above issue, the first of which imposed a requirement on the Department of Defense. Section 824 of the Military Consruction Authorization Act, 1986 (Pub. L. 99-167), requires the Department of Defense to submit a plan by March 1, 1986, for the orderly transfer of the Section 6 Schools to local school districts by 1990. This plan was submitted as required. Three options for accomplishing this transfer were presented in the plan. Should one of these options be approved for implementation by Congress, funding for educational services for dependents of DoD sponsors under Section 6, Pub. L. 81-874, currently a DoD responsibility, would transfer to the Department of Education. Section 823 of the Military Construction Authorization Act, 1985 (Pub. L. 98-407), also directed the General Accounting Office to submit a report to Congress which would consider what effect transferring responsibility for these schools from the Department of Defense to local school districts would have on funding for the Impact Aid program of the Department of Education; and what effect such a transfer would have on local school districts. The General Accounting Office plans to submit this report to the Congress by May 1, 1986.

The second question concerned the authority of the Secretary of Defense to establish the Section 6 arrangement with the Highland Falls School District, which serves the West Point high school dependents. This arrangement only involved high school students. There is a DoD run Section 6 school on post for the elementary school age dependents. In resolving this issue, it was determined that the DoD was clearly given this authority by statute when Defense assumed responsibility for the schools in FY 1982; that the DoD acted within the scope of the law in establishing this arrangement since the educational program at Highland Falls would not be suitable without the availability of Federal funds through Section 6; and that the DoD did not need OMB consent to act within the authority provided to Defense by law.

Question. What is the total remaining construction requirement for Section 6 Schools?

Answer. The military construction requirement identified through FY 1992 is $134.67 million.

IMPACT OF FUNDS REDUCTION ON DODDS FY 86 PROJECTS

Question. Last year the Committee reduced the funds requested for overseas schools by about 10%. Has this caused any problems in terms of actual construction?

Answer. Because the actual construction cost will be the result of the competitive bidding process, the impact on each project will not be known until all bids have been evaluated and the lowest responsive bid is compared with the difference between the amount appropriated for the project and the amount by which that project's funding was reduced to compensate for the general reduction. However, because the estimates for the FY 86 program were very realistic and because the dollar has declined in value relative to most foreign currencies in recent months, it is very likely that the general reduction will have a detrimental effect on the school system's ability to construct all schools for which funds were authorized and appropriated in the FY 86 program. When a further reduction of nearly 5 percent is applied to comply with the provisions of the Gramm-Rudman-Hollings Act, an adverse impact becomes virtually a certainty. Although the least essential items are often deleted from the basic design and bid on separately as additives, it appears that some projects will be so seriously underfunded as a result of the cumulative effects of the aforementioned reductions that the basic school buildings cannot be constructed with the funds available. If that is the situation after the bids have been evaluated, it is the intent of the management of the school system to defer construction of one or more projects to a subsequent fiscal year in lieu of building schools with are neither complete nor usable and are too small to accomplish the objectives for which funds were authorized and appropriated.

BERMUDA ELEMENTARY SCHOOL PROJECT

Question. Justify the $123 square foot cost of this facility.

Answer. The cost per square foot for this project is higher than any of the other DoD Dependents Schools construction projects requested in the FY 1987 budget. The programmed amount reflects the area cost factor for Bermuda (1.31). This is due to the geographic idiosyncrasies impacting on construction. Bermuda is limited in its ability to stock large quantities of construction materials. Contractors must rely on offshore procurement and then pay to transport the construction materials to the island. This is a more costly and time-consuming procedure, but it is necessary due to the lack of storage space and the costs associated wih deterioration of materials which are subjected to the local climatic conditions if they are left in open storage areas. A restrictive site forces the contractor to store materials and equipment at a remote location. The steel used must be galvanized to the sufficiently climate resistant. Block used in construction must be imported due to the high coral content and salinity of local block. Each of these specific factors contibutes to the cost per square foot for this project.

ACCURACY OF COST ESTIMATES

Question. Funds were reduced because of consistent overestimation of costs on many overseas school projects. Are your fiscal year 1987 projects priced accurately?

Answer. The cost estimates developed for each project are as accurate as it was possible to be at the time of estimation. The figure is derived by using several factors, such as type and complexity of construction, and then applying an area cost index. This amount is then projected to the midpoint of construction. All of this is done using indices and guidance put forth by the Office of Management and Budget and the Department of Defense. Recently the strong U.S. dollar overseas was reflected in lower construction bids, thereby giving the appearance of consistent overestimation. Actually, the difference between cost estimates and contract prices is accounted for in the unforeseen bidding environment. The dollar has declined in value against many foreign currencies in recent months. Such declines have traditionally reflected a closer relationship between cost estimates and actual construction costs.

[CLERK'S NOTE.—This concludes Mr. Hefner's questions.]

Mr. HEFNER. We would like to ask the rest of our witnesses to submit their statement for the record, and put the questions in the record, if that is agreeable with all the parties. We want to thank you, Colonel Kovel. We will put your statement in the record, and let you give us the answers for the record.

Mr. Tom Jeffers, Mr. Douglas Smith, please submit your statement for the record, and we would ask you to give us the answers to our questions for the record.

[The statements of Colonel Kovel, Mr. Jeffers and Mr. Smith follow:]

Not for publication until
released by the Readiness Subcommittee
House Armed Services Committee

STATEMENT OF COLONEL MAXIM I. KOVEL, USA

STAFF DIRECTOR, OFFICE OF INSTALLATIONS SERVICES

AND ENVIRONMENTAL PROTECTION

DEFENSE LOGISTICS AGENCY (DLA)

BEFORE THE MILITARY CONSTRUCTION SUBCOMMITTEE

OF THE UNITED STATES HOUSE OF REPRESENTATIVES

APPROPRIATIONS COMMITTEE

WEDNESDAY, MARCH 5, 1986

Mr. Chairman and members of the committee:

I am Colonel Maxim I. Kovel, Staff Director for the Office of Installation Services and Environmental Protection of the Defense Logistics Agency (DLA). With me today is Mr. William Cassell, the Comptroller of DLA. We are pleased to have the opportunity to appear before you today to discuss DLA's programs and our Fiscal Year (FY) 1987 Military Construction and Family Housing requests.

Our Military Construction request is for $60,850,000. It includes nine major Construction projects and six projects costing less than $1 million each at a total cost of $39,450,000. It also contains $21,400,000 for the construction of facilities for the temporary storage of hazardous and toxic materials to comply with federal regulatory requirements. The projects included in our request are reflective of the Agency's varied missions in supporting the readiness of the Military Services. We are also requesting a Family Housing program of $431,000.

Mr. Chairman, I would like to present our Military Construction request to you in context with the overall mission of our Agency. I sometimes feel that people do not have a full understanding of what DLA is all about. Some people think we are a logistics policy organization. We are not. We are in the business of providing day to day support to the Services. Consequently, we have a major impact on their state of readiness.

Let me begin by first commenting on the nature and scope of this Agency. DLA was chartered in 1961 to provide worldwide supply support to the Military Services. It opened its doors for business with 13% fewer people than it had taken the Services to do the job, with annual savings of $30 million. It was felt that greater economies could be realized in establishing one agency to manage items used by the Services. This has been the case. Since that time DLA's mission has expanded, resulting in varied and decentralized worldwide operations. In addition to supply, DLA now provides support to the Military Services in the areas of contract administration, a wide range of technical services, and reutilization and marketing of excess Department of Defense (DoD) property.

DLA plays a key role in maintaining the readiness of our Armed Forces. We run a large business, and we are trying to do it in a business like fashion. Our workload, which has been increasing by an average of five percent per year in recent years, reflects the demands placed on the Agency by its Military Service customers. We:

o Manage more than 2.5 million items. This encompasses 55 percent of all national stock-numbered items used by DoD.

o Buy, store, and issue fuel, food, uniforms and textiles, medical supplies, and more than half the hardware items used by the Armed Forces. These buys amount to about $14 billion in annual procurements. As the DoD worldwide manager for wholesale bulk petroleum, oil, and lubricants (POL), over $7 billion of these procurements are for fuel.

o Maintain an inventory of appoximately $11 billion.

o Receive and ship over 20 million line items annually from our depots.

o Process over 30 million supply requisitions annually.

o Administer approximately 450,000 contracts with a face value of nearly $220 billion.

o Pay nearly 3 million invoices totaling more than $56 billion annually.

o Obtain over 99% of the discounts called for under the contracts we pay.

o Manage the reutilization and sale of surplus property having an acquisition value of over $5.5 billion annually. This involves the annual receipt and disposal of more than 5 million items.

o Manage the hazardous waste disposal program for DoD.

o Operate the Federal Catalog System, which provides descriptive and technical information on over five million items to DoD and other users.

o Maintain a repository of scientific and technical data.

As you can see, DLA is not a logistics policy office. We are at the heart of the DoD Logistics System and play an essential role in readiness. The actions we take at DLA keep our operating forces combat ready in the field. As the data above indicate, we run a large business. Businesses require a certain amount of investment to keep them efficient and able to respond to new requirements. In addition, with the pressures on the overall budget, we must make investments in our people facilities that will produce the productivity and improvements we need in the future.

Now that I have told you something about our business, let me discuss how our FY 1987 Military Construction request supports essential DoD programs, responds to concerns about the environment, and contributes to increasing the efficiency of this agency.

As I mentioned earlier, DLA is the DoD worldwide manager for wholesale bulk petroleum, oil and lubricants (POL). In connection with this responsibility, our request includes $23.8 million for POL facilities - storage tanks, a fuel pier, and fire protection systems.

Our major fuel projects include four fuel tankage projects and one project to construct a fuel pier. At the Defense Fuel Support Point, Naval Supply Center, Charleston, South Carolina, we have a project (page 89 of the justification book) to provide 204,000 barrels of liquid fuel storage capacity in four aboveground tanks. This project will satisfy part of the significant shortfall in both current and future petroleum oil liquid storage requirements in support of United States contingency plans.

We also have fuel tankage projects at three of our overseas Defense Fuel Support Points: Chimu Wan, Okinawa, Japan; Tsurumi, Japan; and Toegyewon, Korea. At Chimu Wan (page 247) the project provides 200,000 barrels of fuel storage capacity in one underground tank for jet fuel. The existing facilities are inadequate to satisfy operational requirements. The project at Tsurumi (page 250) provides 200,000 barrels of jet fuel storage in two above ground tanks. This project will replace a 200,000 barrel tank which was destroyed by fire at the Kosniba Fuel Terminal. The project at Toegyewon (page 253) provides 20,000 barrels of MOGAS in one steel lined concrete underground tank. Due to the restructuring of U.S. Forces in Korea, it is now necessary for the terminal to store bulk MOGAS.

At the the Defense Fuel Support Point, Mukilteo, Washington, we have a project to provide a new fuel pier to accommodate newer tanker-type vessels for fueling operations (page 98). This will replace a pier which is structurally unsound.

Our fiscal year 1987 request also includes $24.6 million to support the Defense Reutilization and Marketing activities managed by DLA. Of this amount, $21.4 million represents requirements for construction of facilities for temporary storage of hazardous and toxic materials to comply with the Resource Conservation and Recovery Act (RCRA). We are also requesting $1.3 million for covered storage facilities at Mechanicsburg, PA and $1.3 million to replace the facilities at Bupyong, Korea.

The project at Mechanicsburg (page 86) provides improvements to open storage and scrapyard areas and construction of a new storage facility for property disposal operations and storage. At Bupyong, the project provides for consolidation of the open and covered storage area and construction of a new storage facility to carry out the disposal and reutilization mission (page 256).

Our conforming storage program in the amount of $21.4 contains projects for various locations inside and outside the United States, as identified in the project submission (pages 102 through 107). The projects provide conforming interim storage of hazardous materials and hazardous waste awaiting reutilization, sale or disposal, in compliance with environmental standards under subtitle C of the Resource Conservation and Recovery Act. This program is being presented as a single line item this year. This is part of a multi-year program extending into FY 88 and FY 89, which is estimated to cost $90 million. We have a list of specific projects in support of this line item. However, the process of obtaining permits and responding to concerns of the local communities has introduced a degree of uncertainty as to precisely when each project will be ready for construction. The budget request reflects our estimate of the number we expect will reach that stage. We will notify the appropriate committees prior to the construction of each project. Because of the concern of the local communities, we will also notify the congressman or congresswoman in the affected district of the planned construction. Furthermore, we would be prepared to brief, on request, each congressman or congresswoman and staff on our plans in order to ensure that there are no unresolvable political community objections.

Finally, our request reflects our efforts to modernize our facilities and improve working conditions at our supply centers and depots. We believe that these investments will result in higher morale and increased productivity; hence, improved readiness. These efforts include new administrative facilities, a dining facility, transient and visitor housing, improved lighting, and improved warehouse administrative facilities. We are requesting a total of $12.4 million for these projects.

Two of our major projects are in support of our depots. The first one (page 92) is located at our Defense Depot, Memphis, Tennessee. This project provides for construction of a 400 seat cafeteria-style dining facility to replace substandard existing facilities. The second project is for our Defense Depot, Ogden, Utah (page 95) and provides for construction of administrative facilities. This project is required to consolidate depot administrative and automated data processing operations as well as provide adequate administrative facilities for the Defense Reutilization and Marketing Region and DLA Systems Automation Center. Some of the existing temporary facilities will be converted to troop support functions.

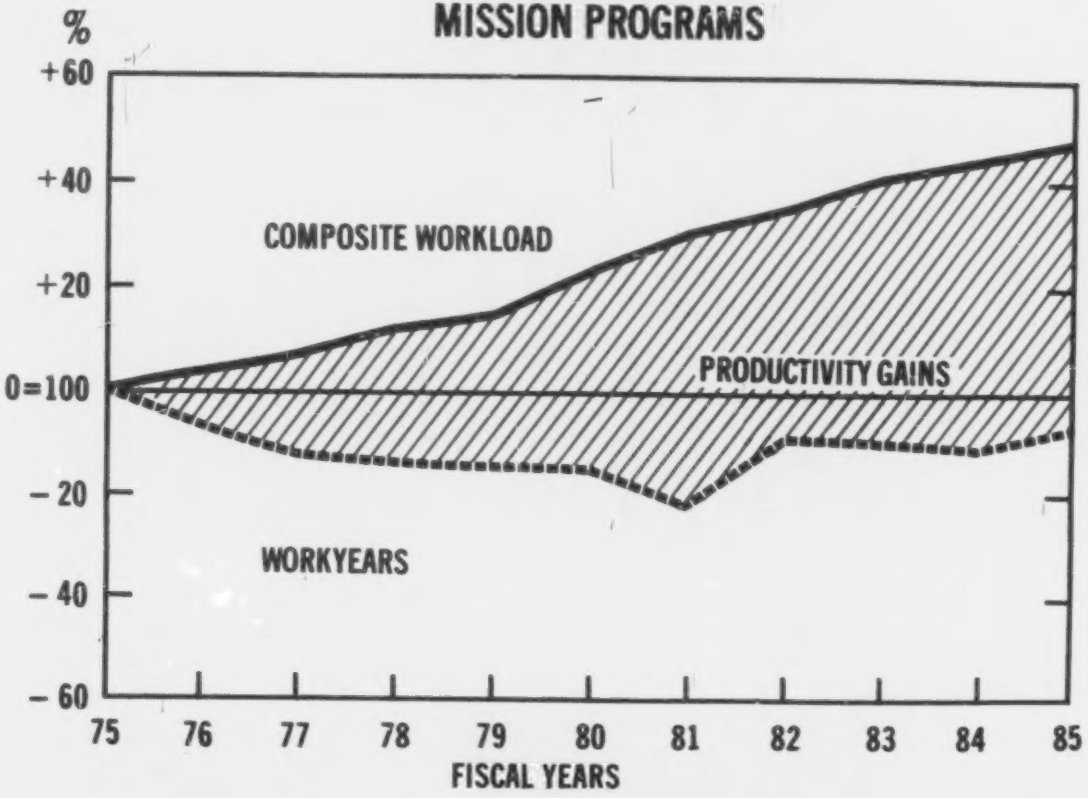
We have six projects in our request costing less than $1 million each at a total cost of $3,270,000.

We are also requesting a Family Housing Program of $431,000 in operations and maintenance obligation authority to continue this program at the current level.

In closing, DLA is a specialized organization which can concentrate on a few aspects of a complex business to increase effectiveness and efficiency. As a result, we have a history of making significant gains in productivity so that we have been able to accommodate increases in workload without corresponding additions to our workforce. A chart on our recent experience is attached to our statement. Our FY 1987 Military Construction request is about 3% of our operating budget. We believe our record demonstrates that this investment will be returned to the taxpayers in the form of increased efficiency as well as in the improved readiness of our Armed Forces. We have also added a summary of our request to our statement, including a list of the conforming storage projects currently planned for FY 1987. We will be happy to answer any questions you may have.

DLA PRODUCTIVITY

MISSION PROGRAMS



DEFENSE LOGISTICS AGENCY
MILITARY CONSTRUCTION PROGRAM - FY 1987
BY STATE/COUNTRY
($ IN THOUSANDS)

State/ Country	Installation and Project	Budget Amount	Award Date
INSIDE U.S.			
California	Defense Fuel Support Point, Estero Bay		
	Fire Protection	680	Mar 87
Ohio	Defense Construction Supply Center, Columbus		
	Improve Lighting	580	Mar 87
	Improve Warehouse Facilities	280	Mar 87
Pennsylvania	Defense Reutilization and Marketing Office, Mechanicsburg		
	Scrapyard Improvement	1,290	Mar 87
South Carolina	Defense Fuel Support Point, Charleston		
	Fire Protection	460	Mar 87
	Defense Fuel Support Point, Naval Supply Center, Charleston		
	Fuel Tankage	5,130	Oct 86
Tennessee	Defense Depot Memphis		
	New Dining Facility	1,160	Oct 86
Utah	Defense Depot Ogden		
	Administrative Facilities	9,780	Mar 87
	Transient and Visitor Housing	620	Mar 87
Washington	Defense Fuel Support Point, Mukilteo		
	Fuel Pier	6,360	Oct 86
SUBTOTAL INSIDE THE UNITED STATES		26,340	

DEFENSE LOGISTICS AGENCY
MILITARY CONSTRUCTION PROGRAM - FY 1987
BY STATE/COUNTRY
($ IN THOUSANDS)

State/ Country	Installation and Project	Budget Amount	Award Date
OUTSIDE U.S.			
Germany			
	Defense Reutilization and Marketing Office, Bitburg Covered Storage	650	Mar 87
Japan			
	Defense Fuel Support Point, Chimu Wan, Okinawa Fuel Tankage	6,640	Oct 86
	Defense Fuel Support Point, Tsurumi Fuel Tankage	3,520	Oct 86
Korea			
	Defense Reutilization and Marketing Office, Bupyong Covered Storage	1,290	Mar 87
	Defense Fuel Support Point, Toegyewon Fuel Tankage	1,010	Mar 87
	SUBTOTAL OUTSIDE THE UNITED STATES	13,110	
	INSIDE AND OUTSIDE UNITED STATES		
	Various Locations		
	Defense Logistics Agency Pollution Abatement Conforming Storage Facilities	21,400	Varies
	GRAND TOTAL DEFENSE LOGISTICS AGENCY	60,850	

FY 1987 CONFORMING STORAGE FACILITIES

LOCATION	CWE $000
ABERDEEN, MD	169.6
ANKARA, TURKE	285.0
BERGSTROM, TX	165.0
BERMUDA	260.0
BLISS, TX	157.0
BLYTHEVILLE, AR	125.0
BRAGG, NC	703.1
BRANDYWINE, MD	1200.0
BRUNSWICK, ME	570.0
CAMPBELL, KY	274.6
CHAFFEE, AR	125.0
CHARLESTON, SC	3015.0
COLORADO SPRINGS, CO	770.0
COLUMBUS, OH	125.0
DOVER, DE	187.5
DULUTH, MN	225.0
EDWARDS, CA	184.0
EGLIN(ALT), FL	35.0
ELLSWORTH, SD	350.0
F.E. WARREN, WY	260.0
GORDON, GA	260.0
GREAT FALLS, MT	195.0
GUAM, GUAM	1700.0
HOMESTEAD, FL	400.0

LOCATION	CWE $000
INCIRLIK, TURKE	375.0
INDIANAPOLIS, IN	350.0
IWAKUNI, JAPAN	87.4
KEFLAVIK, ICELA	160.0
KIRTLAND, NM	840.0
LAUGHLIN, TX	225.0
LEAVENWORTH, KS	148.2
LEONARD WOOD, MO	144.0
LIMESTONE, ME	535.0
LITTLE ROCK, AR	260.0
MECHANICSBURG, PA	280.0
MEMPHIS, TN	1300.0
MOUNTAIN HOME, ID	180.0
MYRTLE BEACH, SC	260.0
McALESTER, OK	280.0
McCLELLAN, AL	225.0
NORFOLK, VA	3000.0
PINE BLUFF, AR	150.0
PLATTSBURG, PA	510.0
POLK, LA	225.0
REESE, TX	225.0
ROCK ISLAND, IL	400.0
ROME, NY	1680.0
RUCKER, AL	225.0

LOCATION	CWE $000
CHANUTE, IL	225.0
COLUMBUS, OH	720.0
EL TORO, CA	2600.0
GRAND FORKS, ND	850.0
HILL (EXP), UT	990.0
HOLLOMAN (EXP), NM	560.0
HUNTSVILLE, AL	300.0
LAJES, PORTU	260.0
MARE ISLAND, CA	870.0
OGDEN, UT	710.0
ORLANDO,FL	850.0
PENDLETON, CA	1500.0
PENSACOLA, FL	1200.0
PORT HUENEME, CA	710.0
WESTOVER, MA	700.0
WHIDBEY, WA	535.0
YUMA, AZ	660.0

SUB TOTAL 16340.0

GRAND TOTAL 46697.6

LOCATION	CWE $000
SAGAMI(INT)	197.2
SAN ANTONIO(ALT), TX	280.0
SAWYER, MI	260.0
SCOTT, IL	260.0
SELFRIDGE, MI	360.0
SHEPPARD, TX	168.9
SILL, OK	225.0
SPARTA, WI	260.0
SPOKANE, AF	280.0
STEWART, GA	730.0
TAMPA, FL	225.0
TOBYHANNA, PA	610.0
TOOELE, UT	150.0
TORREJON, SPAIN	139.5
TUCSON, AZ	150.0
VALDOSTA, GA	256.7
WHITEMAN, MO	260.0
WRIGHT PATTERSON, OH	700.0
WURTSMITH, MI	850.0
ZARAGOZA, SPAIN	189.9

SUB TOTAL 30357.6

POSSIBLE FY88 PROJECTS ACCELERATED TO FY87

LOCATION	CWE $000
CHAMBERSBURG, ME	2100.0

Mr. Chairman and Members of the Committee:

I am Thomas P. Jeffers, Logistics Director for the Defense Nuclear Agency. It is a privilege to testify on behalf of the Defense Nuclear Agency's fiscal year 1987 military construction request. The Defense Nuclear Agency is requesting authorization and appropriation of $4.89 million for three projects.

The first project, in the amount of $790 thousand, will provide a second story addition to one of the buildings used by one of our field operating elements, the Armed Forces Radiobiology Research Institute (AFRRI), located at the Naval Medical Command, National Capital Region in Bethesda, Maryland. This project is required to provide space for additional personnel and equipment in support of AFRRI's research missions.

The addition will provide required floor space and extend the existing mechanical, electrical and fire safety systems.

The second project, in the amount of $900 thousand, will upgrade the power distribution system of the computer systems division of our other field operating element, Field Command, Defense Nuclear Agency, located at Kirtland Air Force Base, Albuquerque, New Mexico.

Kirtland AFB conducted a power study of the facility and determined that the existing electrical system was heavily overloaded.

This project will remedy these problems by upgrading power to a 480 volt system, providing a new uninterruptable power system, a new distribution panel, and new branch circuit panels.

The third project, in the amount of $3.2 million, will renovate a high bay area in an existing building at the Naval Research Laboratory, Washington, DC.

This project will provide the laboratory space required for a pulsed power generator with an energy level three times that which is currently available from existing pulsed power generators. This project will enable the continuance of a research program through the converting of stored electromagnetic energy into radiation in a laboratory environment. Work will include shielding, bridge cranes, office, laboratory and shop space.

In summary, we urgently need the requested projects for continuance of important defense missions. We request authorization and appropriation for these three projects.

Mr. Chairman, that completes my prepared statement. I will be pleased to answer any questions you may have.

STATEMENT OF

ALLEN E. ANDERSON, DEPUTY DIRECTOR FOR PROGRAMS, PRODUCTION AND OPERATIONS

DEFENSE MAPPING AGENCY

Mr. Chairman, members of the Committee, I appreciate the opportunity to discuss with you the Defense Mapping Agency's Military Construction Program for Fiscal Year 1987. Our program consists of one project at the Defense Mapping Agency Aerospace Center, St. Louis, Missouri. The estimated project cost is $16.7 million, which is based on 35 percent design.

The MILCON project at the Aerospace Center will provide for construction of a two-floor addition to an existing production facility. The project is required in Fiscal Year 1987 to accommodate new production equipment scheduled for delivery beginning in 1989. This equipment is necessary to meet weapon systems requirements of ballistic missiles, cruise missiles, the manned strategic bomber, and advanced tactical aircraft systems.

I will be happy to answer any questions you may have.

PREPARED STATEMENT SUBMITTED BY

MR. W. DOUGLAS SMITH
CHIEF, PROGRAM BUDGET DIVISION
RESOURCE MANAGEMENT DIRECTORATE
DEFENSE COMMUNICATIONS AGENCY (DCA)

IN SUPPORT OF THE DCA FISCAL YEAR 1987

MILITARY CONSTRUCTION

BUDGET REQUEST

. . . .

DEFENSE AGENCY MILITARY CONSTRUCTION HEARING

BEFORE THE

SUBCOMMITTEE ON MILITARY CONSTRUCTION

COMMITTEE ON APPROPRIATIONS

U. S. HOUSE OF REPRESENTATIVES

MARCH 5, 1986

NOT FOR PUBLICATION UNTIL
RELEASED BY THE SUBCOMMITTEE

Written Prepared Statement of Mr. W. Douglas Smith, Chief, Program Budget Division, Resource Management Directorate, Defense Communications Agency:

It is a pleasure to have this opportunity to present the Defense Communications Agency (DCA) FY 1987 Military Construction (MILCON) budget request before this subcommittee.

We are requesting $9.9 Million in FY 1987 for two projects. We have no FY 1985 or FY 1986 MILCON projects.

The two projects requested in FY 1987 are:

	($ in Millions) FY 1987
(1) ALTERATION/EXPANSION OF JOINT DATA SYSTEMS SUPPORT CENTER (JDSSC) OFFICE SPACE AT THE PENTAGON, WASHINGTON, D. C.	$2.3

The Joint Data Systems Support Center (JDSSC), a Directorate within DCA, provides technical support to the National Military Command System (NMCS), the Joint Chiefs of Staff (JCS), and the Office of the Secretary of Defense (OSD). It also provides for the central maintenance and distribution releases of the Worldwide Military Command and Control System (WWMCCS) Standard System Software, and provides for the maintenance of the expanding suite of WWMCCS Information System (WIS) hardware. The JDSSC currently occupies 79,924 square feet of space within the Pentagon, Washington, D. C. A requirement exists to provide additional office space to accommodate JDSSC's increased mission requirements.

Accordingly, this project will provide for an additional net office space of 17,500 square feet. Supporting facility space will require 4,500 square feet.

It will add a mezzanine level of improved office area in the space above the areas containing office and contractor operations in the basement of the Pentagon. Alteration to the F and G Ring on the North and South side of Corridor 6, Stairwell #64, basement of the Pentagon, will be required.

Provisions for installing air conditioning similar to that found in other office spaces in the Pentagon is necessary in view of the completely closed-in nature of the basement space.

Lighting accommodations will provide approximately 75 foot-candles of illumination at all working surfaces.

To meet security requirements, walls will be constructed to specifications required for a secure area and an alarm detecting system installed where required.

An elevator system, similar to the one in the existing mezzanine, is also needed to provide entry and exit for handicapped persons, furniture, and computer equipment.

Also included are supporting facilities, such as additional electrical power to provide the necessary lighting, toilet facilities, drinking fountains, air handling systems, telephone frame rooms, and access connections to established corridors in the Pentagon.

The additional office space created by this project will allow computer support personnel to be located near current and planned Automated Data Processing (ADP) equipment. Requirements for utilizing advanced ADP techniques to support command and control operations, nuclear weapons effect studies, and wargaming have greatly increased the need for computer support area. When constructed, the required facility will provide the working environment to enable the JDSSC to respond to valid information requirements and to complete the timely analysis of plans and concepts of vital concern to our national defense.

Design work for this project will be completed on or before 31 March 1986 (75% of the design work was completed by 31 January 1986). We expect to begin construction in October 1986.

	($ in Millions) FY 1987
(2) COMPUTER AND ADMINISTRATION REPLACEMENT FACILITY FOR THE DEFENSE COMMERCIAL COMMUNICATIONS OFFICE (DECCO), SCOTT AIR FORCE BASE (AFB), ILLINOIS	$7.6

The Defense Commercial Communications Office (DECCO), a field activity of the DCA Resource Management Directorate, and the Allocation and Engineering Directorate (AED), a field activity of the DCA National Communications System/Defense Communications Agency Operations Center (NCS/DCAOC) are currently located at Scott AFB, Illinois.

The mission of DECCO is to acquire, on a centralized basis, all commercial long haul command, control and communications requirements of the DoD, the Military Departments, the Federal Aviation Administration and other federal agencies. This mission includes the processing of commercial communications requirements through the entire acquisition process. This process consists of preparation of requests for proposal, solicitation, contract award, contract management, fiscal accounting and bill paying for the entire life cycle of a telecommunications requirement and capability.

The Allocation and Engineering Directorate (AED) of the NCS/DCAOC is colocated with DECCO. AED is charged with the responsibility for providing circuit allocation and transmission engineering services for the Defense Communications System (DCS); providing cost reduction services to authorized DCS users; and administering other telecommunications cost reduction programs within its area of responsibility.

The building at Scott AFB, which currently houses DECCO and AED is a substandard, hazardous, wooden structure built in 1941. It is rapidly deteriorating; is increasingly difficult to maintain; is too small for both the current and anticipated mission workload; and is totally impractical to upgrade. Its configuration -- a 10 wing structure -- is not conductive to efficiency nor does it provide adequate housing for DECCO's multi-million dollar computer facility. In summary, it has become functionally obsolete and must be replaced.

Accordingly, this project will provide for construction of a new Computer Center and Administrative replacement facility at Scott AFB to accommodate the expanded mission requirements and operational resources of DECCO and AED, including its $3.0 Million ADP inventory.

This new facility will include 41,850 square feet of net office space, 3,650 square feet of administrative support space, and 26,400 square feet of special purpose space for the combined computer facility housing automatic and electronic data processing equipment. The new facility will have a brick exterior, supporting utilities, air conditioning, heating, RF shielding, and site support. The wooden building that currently houses DECCO and AED will be torn down by the Air Force after construction of the new facility is completed.

The design work for this project was completed in December 1985. We expect to begin construction in January 1987.

Mr. Chairman, members of the subcommittee, this concludes my prepared statement. I am ready to respond to any questions you may have.

[CLERK'S NOTE.—Additional questions submitted by Mr. Hefner follow:]

DEFENSE LOGISTICS AGENCY

ALTERNATE CONSTRUCTION

Question. Last year the committee directed DLA to construct two projects using alternate construction methods. It is now your plan to do only one using alternate construction methods. Can you tell us why?

Answer. We do plan to construct two projects using architectural fabric. However, only one of the 24 projects in the approved FY 1986 program is considered suitable for the use of fabric construction. Therefore, we propose that our second project come from our FY 1987 program that is now before you.

The FY 1986 project which we have selected is to construct covered storage at the Defense Reutilization and Marketing Office (DRMO), Off-Site Branch (OSB) at F.E. Warren AFB, Cheyenne, Wyoming. The project provides a new 22,700 square foot general purpose warehouse with 2,300 square feet of administrative space plus supporting facilities. The other projects in our FY 1986 program were determined to be unsuitable for architectural fabric for one of three general reasons:

(1) Four hazardous waste conforming storage facilities and three hazardous material storage facilities require special environmental, health and safety construction features. For example, in order to comply with fire codes for the storage of flammable and combustible material, these facilities must have interior fire-related partitions; multiple openings for doors and ventilation; and resistance to flame spread, smoke generation, and corrosion. They also must have low susceptibility to punctures or other damages, and they must offer a high degree of security for the stored materials. Furthermore, the junction of the floor with the interior and exterior walls must be sealed to prevent leakage from spills. These requirements can be fully satisfied only through the use of conventional construction. Another consideration is that the conforming storage projects will be subjected to intense EPA, State, and local government scrutiny during the Resource Conservation and Recovery Act (RCRA) permit process. We do not believe the public acceptance of architectural fabric extends to a subject as emotionally charged as hazardous waste storage.

(2) Ten projects involve tankage or piping systems entirely unsuited to architectural fabric.

(3) Six storage projects primarily involve alterations and additions to the interiors or exteriors of existing buildings for which fabric construction would be inappropriate.

We have conducted a similar review of the FY 1987 program. Again, only one project is appropriate for fabric construction: Scrap Yard Improvements at DRMO Mechanicsburg, Pennsylvania. This project includes construction of a 10,000 square foot general purpose warehouse with 1,000 square feet of administrative space.

We have directed the design agents for these two projects to redesign them for architectural fabric. We expect to award the DRMO Warren project by the end of this fiscal year; and the FY 1987 project, if approved by Congress, by the end of the third quarter of FY 1987.

FUEL TANKAGE AT DEFENSE FUEL SUPPORT POINT, NAVAL SUPPLY CENTER CHARLESTON, SOUTH CAROLINA

Question. Justify the need for additional 200,000 barrel diesel fuel tanks at Charleston, South Carolina.

Answer. Currently, Naval Supply Center (NSC) Charleston stores a total of 254,000 barrels of Diesel Fuel Marine (DFM) fuel at the Charleston Naval Station Tank Farm (112,000 barrels) and at the Chicora Tank Farm (142,000 barrels). The three tanks used at the Chicora Tank Farm are substandard for DFM storage due to cracks in the concrete walls of the tanks. When the water table is high, water infiltrates these cracks and contaminates the fuel. This makes the fuel unusable until the water can be removed, thereby seriously impairing the capability to support mission requirements. It is also likely that fuel will eventually leak from the tanks into the ground, thus causing an environmental hazard. The project includes two 100,000 barrel DFM storage tanks at NSC Charleston to replace the three substandard storage tanks at the Chicora Tank Farm. It is also intended to meet the greater demand for DFM due to increased ship population at NSC Charleston.

Failure to provide the 200,000 barrels of DFM tankage will result in the continued use of the 41-year-old tanks at the Chicora Tank Farm. Therefore, periodic contamination of the fuel will continue to be a problem, and the risk of environmental pollution will increase.

ADMINISTRATIVE SPACE AT DEFENSE DEPOT OGDEN, UTAH

Question. Why is an additional 123,000 square feet of administrative space required at DDO Ogden, Utah?

Answer. This project will not provide additional administrative space. It replaces 78,100 square feet of temporary World War II facilities which will be demolished and 60,000 square feet of office space in warehouses which will revert to mission stock storage.

The present facilities occupy 12 separate locations. This dispersion results in poor staff interaction and, hence, inefficient administrative operations. In addition, these facilities do not meet fire safety, seismic structural, or OSHA accessibility requirements; they are energy inefficient; and they require excessive maintenance and repair. The current computer facility contains approximately half the area required to accommodate existing equipment according to the manufacturers' recommendations. As a result, there is barely enough air movement to offset the amount of heat that is created by the equipment, a potential operational and safety problem. The new facility will consolidate administrative functions and services, provide a modern, properly designed automated data processing facility, reduce maintenance and repair costs, and save energy.

If this facility is not provided, there will be a continuation of inefficient administrative operations, unsafe working conditions, and costly operation and maintenance of current facilities.

DEFENSE NUCLEAR AGENCY

RADIOACTIVE WASTE STORAGE TANK

Question. The DNA has requested $880,000 in minor construction funds to construct a new storage tank for radioactive liquid waste at the Radiobiology Research Institute in Bethesda, Maryland. Apparently the present underground system has worn out and monitoring of leaks is not possible. Has any leaking occurred to date?

Answer. Although positive monitoring of leaks in the current underground tanks is impossible, analysis of samples from soil, ground water, and vegetation in the areas around the tanks have indicated no measured activity from any isotopes above the normal expected background which results from fallout and naturally occurring isotopes found in the earth.

Question. How will the system be protected from sabotage?

Answer. The Armed Forces Radiobiology Research Institute is currently undergoing a security analysis being performed by a security contractor. This analysis will result in development of revised security system requirements. Provisions for safeguarding the radioactive liquid waste system from sabotage will be part of the overall security system. Security of the liquid waste system will include provisions for the pipes and mechanical equipment, as well as the tanks themselves. The new low level radiation waste facility will be an integral part of the Institute's building complex and a part of the secure restricted area. Access to and identification of personnel in the restricted area will be through intrusion detection system components; this includes doors and gates with card access, balanced magnetic door devices, and motion detection. These units will be strategically placed to provide protection to the facility during both duty and non-duty hours.

DEFENSE AGENCIES, PROJECTS UNDER DESIGN

Question. Provide for the record a list of all projects to be put under design in fiscal year 1987 with the $110 million requested for planning and design. Include the proposed scope, cost of the project and design cost.

Answer. The $110 million requested in FY 1987 for planning and design will be used to redesign certain FY 1986 projects, to complete design on the FY 1987 projects and to initiate design on the FY 1989 projects. Design on the FY 1988 projects are being initiated with FY 1986 funds. While the more prosaic project detail for the FY 1989 program is not known at this point in the programing cycle, several large initiatives and program categories are known. The amounts of planning and design funds requested in FY 1987 to support these initiatives are as follows:

	Millions
Strategic defense initiative	$20.0
Pentagon annex	22.5
Various medical facilities	39.9
All other defense agency projects	27.6
Total	110.0

It should be noted that the amount requested in FY 1987 to design the bulk of the Defense Agencies projects is smaller in constant dollar terms than the amount provided for FY 1986. This is due to the exercise of certain management initiatives, such as the insistence of an increased use of standardized design.

[CLERK'S NOTE.—This concludes Mr. Hefner's questions.]

Mr. HEFNER. We certainly appreciate your coming and appreciate your indulgence. Thank you very much.

The committee stands adjourned.

TUESDAY, MARCH 11, 1986.

NATO AND EUROPEAN CONSTRUCTION PROGRAMS

WITNESSES

OSD

GEORGE W. BADER, PRINCIPAL DIRECTOR, EUROPEAN POLICY, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (INTERNATIONAL SECURITY POLICY)

ROBERT J. LANOUE, DIRECTOR, NATO AND FOREIGN PROGRAMS, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (ACQUISITION AND LOGISTICS)

T. J. LOVELAND, DIRECTOR, INFRASTRUCTURE AND LOGISTICS, U.S. MISSION TO NATO

DUNCAN HOLADAY, DIRECTOR, INSTALLATION PLANNING, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (ACQUISITION AND LOGISTICS)

COLONEL WADE G. GATLING, USAF, SPECIAL PROJECTS, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (ACQUISITION AND LOGISTICS)

ARMY

MAJOR GENERAL ROBERT J. DACEY, USA, ASSISTANT CHIEF OF ENGINEERS, DEPARTMENT OF THE ARMY

NAVY

REAR ADMIRAL JOHN P. JONES, JR., CEC, USN, COMMANDER, NAVAL FACILITIES ENGINEERING COMMAND, DEPARTMENT OF THE NAVY

MICHAEL YACHNIS, CHIEF ENGINEER, DEPARTMENT OF THE NAVY, FACILITIES ENGINEERING COMMAND

AIR FORCE

MAJOR GENERAL GEORGE E. ELLIS, USAF, DIRECTOR OF ENGINEERING AND SERVICES, DEPARTMENT OF THE AIR FORCE

STATEMENT OF THE CHAIRMAN

Mr. HEFNER. The committee will come to order.

Today the subcommittee will consider the fiscal year 1987 request for the NATO infrastructure and European construction programs. We will start in open session and go into closed session when necessary. Our principal witness today is Mr. George Bader, Principal Director, European Policy. He is accompanied by Joe Loveland, Director, U.S. Mission to NATO, Robert Lanoue, Director, NATO and Foreign Programs, and Duncan Holaday, Director of Installation Planning, and various Service witnesses.

We will start by recognizing Mr. Bader for his opening statement and then proceed to questions. We will have questions on the NATO infrastructure program after discussing several policy questions.

Mr. Bader, you may summarize your statement at this time.

STATEMENT OF GEORGE W. BADER, PRINCIPAL DIRECTOR, EUROPEAN POLICY, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (INTERNATIONAL AND SECURITY POLICY)

Mr. **BADER**. Thank you very much, Mr. Chairman. It is always a pleasure to appear before this committee. If I may introduce my distinguished colleagues who are with me today. Aside from Mr. Loveland, Mr. Lanoue, and Mr. Holaday, we have Major General Robert Dacey of the Army, Rear Admiral John P. Jones of the Navy, and Major General George Ellis from the Air Force. These gentlemen are prepared to answer any technical questions that the committee might have.

As you have suggested, Mr. Chairman, I will submit any prepared remarks for the record and briefly highlight some of the key points.

For fiscal year 1987 the Department of Defense is requesting $1.4 billion for the military construction program in the European area. This includes $247 million for the U.S. share of the NATO infrastructure program. These programs, Mr. Chairman, we believe are essential to support our national strategy and to promote the collective defense and deterrent posture of the United States and the military forces of NATO against the continuing buildup of Soviet power.

Given the committee's keen interest in allied participation in sharing the burden, I would call your attention to a few key areas of significant progress. The NATO infrastructure program this year is $1.2 billion, 35 to 50 percent of which goes to meet U.S. requirements.

We have been able to get a commitment by our allies to augment war reserve ammunition stocks.

The allies also agreed to a comprehensive action plan to overcome critical conventional defense deficiencies and with the help of Congress, particularly the Nunn and Quayle amendments, we should be able to make even greater strides in areas of armaments cooperation in the coming year.

And finally, the arrangement with our allies to support U.S. Forces continue to be important considerations to burden sharing by directly reducing U.S. requirements.

In summary, Mr. Chairman, let me say that the alliance continues to provide an indispensable framework for promoting U.S. security interests and that the military construction program plays a key part in support of those interests.

Thank you, Mr. Chairman.

[The statements of Mr. Bader, Mr. Loveland, and Mr. Lanoue follow:]

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BY THE COMMITTEE ON APPROPRIATIONS,
HOUSE OF REPRESENTATIVES

STATEMENT OF

GEORGE W. BADER

PRINCIPAL DIRECTOR FOR
EUROPEAN POLICY,
OASD/ISP

BEFORE THE

SUBCOMMITTEE ON MILITARY CONSTRUCTION
HOUSE APPROPRIATIONS COMMITTEE

MARCH 11, 1986

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I welcome this opportunity to appear before your committee to discuss the Department's policies and strategies that provide the underpinning for our military construction planning in Europe.

With me is Mr. Robert Lanoue, Director of NATO and Foreign Programs in the Office of the Deputy Assistant Secretary of Defense for Installations; Mr. T. J. Loveland, Director of Infrastructure and Logistics, US Mission to NATO; Mr. Duncan Holaday, Director for Installation Planning in the Office of the Deputy Assistant Secretary of Defense for Installations: Major General Robert Dacey of the Army; Rear Admiral John Paul Jones, Navy; and from the Air Force, Major General George Ellis. These gentlemen will discuss the technical aspects of our European construction program.

The most serious challenge to the United States has been the emergence of the Soviet Union as a global military power willing to use coercion and force to implement its political system in areas of strategic importance to the West. Experience demonstrates that the best way to deter potential opponents is with a system of defensive alliances and cooperation. Such a coalition strategy is designed to maintain regional security by demonstrating to potential aggressors that they will face a determined and united opposition. A commitment to the security of our allies is also a commitment to our own security.

In Europe the maintenance of 40 years of peace is testimony above all to the effectiveness of the North Atlantic Treaty Organization, and to its importance to the security of the United States. To keep pace with Soviet/WP force improvements, NATO is currently improving its nuclear capabilities through the deployments of the Ground Launched Cruise Missile (GLCM) System and the Pershing II missile. It is widely agreed that the Alliance also needs to strengthen its conventional defenses to meet the growing Soviet military threat. These requirements to upgrade our nuclear and conventional postures direct much of our construction program in Europe today.

For Fiscal Year 1987, our construction requirements in Europe and Iceland total some $1.4 billion, including $247 million for the U.S. share of the NATO Infrastructure Program. With annual programs of some $1.2 billion, the NATO Infrastructure Program continues to provide most of our wartime operational facilities.

Military Construction in Europe

One of our highest priority goals in Europe continues to be the improvement of working and living conditions for our personnel and their families; about 35 percent of this budget will be used for these purposes. The FY 1987 budget provides $147 million for 1400 units of family housing and $152 million for barracks and dining halls. Community support requirements total $68 million and include child care centers, religious and educational facilities, physical training areas, and youth centers. Also included in that total are commissaries and exchanges at two locations where new operational missions have been established. We feel very strongly that the use of appropriated funds is warranted in these instances. Needed medical and dental facilities will require some $35 million, while construction and improvements for the dependent school system is budgeted at $108 million.

The larger portion of the budget is made up of operational requirements - primarily maintenance and production facilities. The Army's program proposes $103 million for essential facilities modernization that will provide a variety of maintenance shops, bays, and aprons capable of accommodating a wide range of maintenance on all Army wheeled and tracked vehicles. In many instances, shops and work areas are dispersed over wide areas, are inefficient and are not configured to handle today's equipment. We have also requested $17 million to build, on a cost-sharing basis with Germany, a small portion of the facilities required to support German wartime host nations support units at 76 sites. These German units will provide essential combat service support for US deployed forces in wartime. Some ~~$45~~ $17 million is requested for security enhancements at six Pershing missile sites to meet increased security, safety and health, fire protection, system reliability and readiness criteria. An additional $21 million is needed for essential site support upgrades such as maintenance facilities, utilities, hardstands, and communications.

Iceland continues to be one of our most strategic Northern Atlantic bases, providing support for early warning, air defense, aerial refueling, and maritime patrol missions. The Navy's budget includes funding for another increment of fuel storage as part of a long range fuel reception, storage, and distribution program jointly-funded with NATO. Additional tankage for NATO missions is included in the 1987 Infrastructure Program. The second and final increment for airfield pavement and roads at the new Keflavik terminal will free up needed ramp space adjacent to the old terminal and will alleviate current security and safety concerns.

Our Naval installations in Italy support maritime operations in the Mediterranean, and we expect to maintain US forces there for an indefinite period. The Government of Italy has now agreed to provide land north of Naples that will allow us to improve safety and security for our personnel by consolidating facilities and moving out of the higher earthquake threat areas. The Government of Italy has also agreed to provide land in Sicily which is needed to reduce vulnerabilities in the Navy's telecommunication network.

The Ground Launched Cruise Missle (GLCM) program is progressing well and the construction program is beginning to wind down as more units become operational. This year's program totals $72 million and contains the second funding increment for work at Woensdrecht in the Netherlands and various projects at the other five bases that will make living conditions comparable to other locations in Europe. The Netherlands cabinet approved the deployment of GLCMs last November and this decision has passed one chamber of the Dutch parliment; therefore, we will be proceeding in the spring with construction in The Netherlands. We will have to move at full speed to make up lost time.

Additionally, the Air Force budget includes a major project for a survivable facility designed for time-sensitive intelligence processing and combat targeting. Survivability is also reflected in the program's $10 million request for chemical warfare protection at five airfields where NATO is constructing wartime facilities exclusively for US use.

As I mentioned earlier, the NATO Infrastructure Program continues to provide the bulk of our wartime-required operational requirements in Europe. About 70% of the program is for projects in direct support of NATO-assigned forces. Of these funds, approximately 35-50% are programmed for US requirements. The remaining part of the program provides theater-wide requirements such as command and control, early warning systems, pipelines, and communications which benefit all NATO forces. Details of this program will be covered later in these hearings.

Allied Burdensharing

This is always a very complex issue and must take account not only of quantitative measures such as defense spending and force modernization efforts, but of political and sociological contributions as well. A comprehensive review of these factors will be covered in the Department's annual Report to Congress on Allied Contributions to the Common Defense, which will be submitted to the Congress shortly. While there is no comprehensive and easy formula for calculating a country's "fair share," a review of all factors shows that our NATO partners are making substantial contributions to the common defense, perhaps greater than is commonly recognized. It is generally agreed that the contribution is uneven, that some are doing their full share while others are doing less. More must be done by all members of NATO. We will continue to urge all to meet their burdensharing requirements, but it should be noted that we are seeing some encouraging efforts. Some examples of these are as follows:

> Sustainability. The allies are all committed to expanding plans for the procurement of specific critical munitions and for augmenting war reserve stocks. More rapid progress is being made by several nations to reach the 30 day objective.
>
> Conventional Defense Improvements (CDI). In December 1984, the NATO Ministers reaffirmed the

need for continuing improvement of NATO's conventional defense capabilities. The first reactions have been encouraging and nations are beginning to make steady progress in national force modernization.

Armaments Cooperation. Thanks to the cooperation and leadership of the Congress, as demonstrated in the Nunn and Quayle Amendments, we have made significant strides in the area of cooperation on the development and production of armaments. The number of cooperative programs has grown in the last year, and we have just reached preliminary agreement with eleven of our allies for joint development on six specific systems to improve our defensive capability, with the promise of additional joint programs soon. This will not only increase the standardization and interoperability of armaments, but will also lessen individual defense burdens through mutual sharing of development costs.

Infrastructure. Last year, we reported the significant increase in funding that will allow annual programs of some $1.2 billion out to 1990. Roughly, some 90% of the program supports the Conventional Defense Improvement program. This year we are working with the allies to increase the pace, in order to provide the operational commanders with essential mission facilities as early as possible.

Host Nation Support Arrangements. The United States has made arrangements under which our forces in Europe obtain in peacetime, or will obtain in wartime, considerable amounts of support from the host nations. Host nation support (HNS) is a valuable contribution to burdensharing as it reduces requirements for US combat service support forces, facilities, and supplies.

Peacetime host nation support from our allies covers a wide range of support including provision of real estate; real property maintenance; facility improvements; utilities; use of host nation facilities such as airfields, test and training ranges; storage for ammunition and POL; and various services such as security and air traffic control.

Wartime host nation support (WHNS) agreeements generally cover a broader scope of activities and can include areas such as Nuclear, Biological, Chemical (NBC) decontamination, base air defense, prisoner of war security, battle damage repair, use of collocated operating bases, transportation, medical treatment and evacuation, supply, and base support functions. The US has wartime host nation support agreements with eleven of the NATO nations.

Increased efforts on the part of all member nations are needed, not because of burdensharing statistics, but because the increased Soviet threat requires improvements in NATO's capabilities. We think it is important to view burdensharing as a collective effort to strengthen the Alliance and to ensure the adequacy of our common defense, rather than to view it just in terms of what the allies can do for us in the way of offsets for US expenditures in Europe. We believe we can continue to progress only so long as we continue to focus on our common security objectives.

Consideration of Base Closure Overseas.

At the request of the Congress, we examined and reported on the viability of 26 overseas bases identified by this committee as fitting Defense criteria for closure or consolidation, and we have reviewed the balance of our overseas installations for any whose closure or consolidation would result in cost savings. As our report indicates, we are not recommending that any of our overseas bases be closed or consolidated at this time. Several conditions support this position. Specifically, our current installations constitute the appropriate base structure to satisfy peacetime requirements and facilitate a transition to war. Also, our overseas bases are already crowded and cannot practically absorb additional missions or accommodate realignments. In many countries, it is virtually impossible to acquire additional land because of local political, legal, financial and environmental factors. Further, closing bases and transferring missions requires significant initial capital investment, and, given the limited opportunities for such actions overseas, the savings to be realized would be minimal.

Summary

In summary, let me emphasize that we have indeed made significant progress in improving our collective security in the past year. Much remains to be done --- by all of us -- and we must increase the pace lest we slip further behind. We believe we have crafted a careful and economical military construction program that will provide the necessary infrastructure foundation on which we can further build to strengthen the common defense. I urge the committee to support us in achieving this goal.

READING VERSION

STATEMENT OF T. J. LOVELAND

DIRECTOR, INFRASTRUCTURE AND LOGISTICS
US MISSION TO NATO

BEFORE THE
SUBCOMMITTEE ON MILITARY CONSTRUCTION
HOUSE APPROPRIATIONS COMMITTEE

MARCH 11, 1986

UNITED STATES HOUSE OF REPRESENTATIVES

Mr. Chairman and Members of the Committee:

I am pleased to have the opportunity to appear before your Committee to support the proposals of the Department of Defense for an appropriation of $247 million for Fiscal Year 1987, as the US share of the common-funded NATO Infrastructure Program.

I have prepared a 15 to 20 minute statement for the Infrastructure line item. With your permission, I would propose to include it in the record for reference while summarizing it in about five minutes.

Title V in the Military Construction Program covers the US share of the NATO Infrastructure Program, which provides commonly funded facilities necessary to support US and other forces committed to the defense of NATO. Much of the program provides facilities and systems for common use by some or all NATO forces which must be funded collectively--for example, the NATO pipeline system, Early Warning and Air Defense networks and the NATO satellite communications system. The remainder, while of sufficient common interest to warrant Infrastructure funding, is intended for use by forces of a single nation or two or more nations. In this category, the US has been very successful in securing a large portion of projects for support of US forces. Recent annual programs, or "slices," have provided, on the average, over $5 worth of facilities for US forces for every $3 of US contribution to single and joint user projects. We have every reason to expect this favorable ratio to continue or to improve.

The US cost share of the program remains at about 27.8%, smaller than might be indicated by either our share of NATO's total GNP or the US benefits from the program. It tends to balance, therefore, the relatively larger US shares in other defense categories. In addition to that aspect, our Allies have from time to time used the program to make other concessions to the US such as (1) a $100M contribution to replace US facilities abandoned in France, (2) a $500M contribution (without US participation) to augment the program for provision of aircraft shelters, (3) a $140M contribution to build US facilities which were not normally eligible for NATO funding, and most recently (4) agreement to an extensive reinforcement support category (RSC) which is funding previously ineligible logistics facilities in support of US reinforcements. Thus, the Infrastructure program is an example of burden sharing through which our Allies have demonstrated their good faith and their support of US deployments in Europe.

Much attention has been recently focussed on improvements to the rate of execution of Infrastructure works, and the rate of fund authorization was increased by a factor of 3 between

1980 and 1984. While the NATO Allies funded the 1980-84 program for what they believed to be its maximum rate of execution, our success in improving that rate surpassed most estimates and some of our Allies had not made appropriate budgetary provisions. We were, thus, in a situation where we were implementing faster than we could program and have, hence, severely depleted the programmed backlog.

The severe underfunding of the Infrastructure Program over the past 10 years has been a matter of intense concern. That situation led to the necessity for prefinancing by the United States in order to provide the facilities required for the support of our forces, and to the difficulty in recouping those costs. We were not alone in that situation, however, as evidenced by the fact that over the past 5 years our Allies have accomplished more than 90% of the total prefinancing while we have done less than 10%. Thus, the Allies' backlog of unrecouped prefinancing has been growing at an appreciably higher rate than has ours, thus distorting the cost sharing formula in our favor.

In December, 1984, the unprogrammed backlog of US recoupment stood at some $240 million ($100 million for aircraft shelters, plus $100 million for newly prefinanced COB projects and $40 million for various other projects). Because of NATO's agreement in December 1984 to a 1985-90 program of

$8.4 billion, approximately NATO's ability to implement projects, and almost three times the previous program amount, we have reported NATO Agreement to program virtually all of the US recoupment backlog within this period while providing the vast majority of our most urgently required new construction.

We in Defense are extremely pleased by the success in increasing NATO's programming rate by some 56% in real terms. We are aware, however, that the funds available and the projected maximum rate of implementation will provide in the 1985-90 period only about half of the identified requirement of $17 billion. Thus the entire requirement will not be met until the middle 1990s. It is reasonable to believe that, despite our best efforts, some US requirements will not be satisfied by 1990.

Back on the subject of prefinancing, ~~the recoupment backlog stood at $240M to be programmed after January 1985.~~ At the end of FY 85, the recoupment backlog ~~December 1985, that figure~~ had been reduced to about 175 $~~102~~M ~~and is~~ expected to stand at 133 $~~103~~M at the end of CY 1986. Not all of the difference in those sums will revert to the program, however, since in some cases US funds were deobligated when NATO funds became available and certain of the prefinanced costs proved to be beyond NATO's criteria. Actual recoupments in FY 85 amounted to about $23M, and we expect to recoup another 25 $~~20~~M in FY 86. We should be able to program and recoup the remaining $103M and eliminate the backlog by 1990.

By mid-1986 we will have the first 2 year roll-forward of NATO's long term planning document showing the distribution of projects over the 1988-93 programs. We hope that, with our expected success in recouping the prefinancing deficit and our ability to document projected years of NATO programming for US facilities, Congress will see the wisdom in allowing some judicious prefinancing in cases where NATO cannot accommodate the required timing.

Over the last few years we have been forecasting an increase in the implementation rate of the Infrastructure program. In practice, however, it was not until 1985 that our Allies agreed to commit additional funds as desired by the US. In FY 87 we expect to see the full effects of that decision, and it will be critical that all nations, including the US, supply the funds to meet their commitments. In the recent past (FY 84, 85, and 86) carryover of funds from previous years and generation of excess funds through the strengthening of the dollar have provided much of the wherewithal to meet US commitments. Those commitments amounted to $176M, $140M, and $185M, respectively. Our appropriations during that period were $50M, $107M, and $10M, respectively, and the latter two were subject to conditions we could not meet completely. Since all of our excess funds have been returned to the Treasury, we expect to enter FY 8~~6~~7 with a bare bones carryover of some $45M. We are dependent, therefore, on receipt of the requested appropriation without unreasonable conditions if we are to continue to move this program and to reap its benefits.

That, Mr. Chairman, is my story. The Infrastructure Program remains the principal tool by which we provide operational < facilities in Europe for US troops, and continues to function to the benefit of the US. We have succeeded in our advocacy for additional funds within the NATO program and improvements in the procedures to alleviate the inconveniences which have been noted by Congress. None of these benefits will accrue, however, if we should be unable to meet our commitment to the program.

I request, therefore, that the Committee support our request for an appropriation of $247M which, with a small carryover from prior years' appropriations, is expected, depending on the strength of the dollar, to cover the US contribution for FY 1987.

Not for Publication Until Released
by the Committee on Appropriations
House of Representatives

Statement of
Robert J. Lanoue
Director, NATO and Foreign Programs
Office of the Deputy Assistant Secretary of Defense
Subcommittee on Military Construction
House Appropriations Committee

March 11, 1986

Mr. Chairman and Members of the Committee:

I am pleased to have this opportunity to appear before your committee to discuss the Department of Defense Fiscal Year 1987 Military Construction Program as it relates to NATO Infrastructure. I would like to make a few remarks and Mr. Loveland, Director of Infrastructure and Logistics at the U.S. Mission to NATO will follow with a more extensive statement on the NATO program.

FY 1987 Request.

New appropriation is requested for $247 million for the United States' share of the NATO Infrastructure program. The amount of the request plus an estimated $20 million in recoupment is the estimated obligational authority required during the budget year to meet the U.S. financial commitment to the infrastructure program.

In FY 1986, due to the strength of the dollar against other European currencies, we had sufficient funds carried over from previous years to finance U.S. participation in the program. However, the carryover of funds into FY 1987 will be much less than what we will need, and new appropriations are required to fund most of our contribution. During the past year, there has been a 20% drop in the dollar's value and there is no flexibility in the FY 1987 budget request. If this negative trend continues, the current request may not be sufficient to pay our contribution and we would have to return to Congress for additional funds to ensure continued U.S. participation throughout the budget year. We will keep the Committee informed of the status of U.S. funds needed for our NATO contribution as we proceed through the year.

1985-1990 Program.

As I mentioned last year, the NATO allies agreed to a new fund ceiling of nearly $8 billion for the six year period 1985-1990. Because of this substantial increase in NATO funding, most higher priority U.S. infrastructure requirements can be satisfied. By 1990, we expect that all minimum essential airfield facility requirements at collocated operating bases (COBs) and over 500 new aircraft shelters for U.S. tactical air reinforcements will be programmed. Other priority U.S. requirements planned for NATO funding include storage for prepositioned material for a U.S. Marine Amphibious Brigade; completion of PATRIOT missile deployment; and a wide range of other storage for U.S. land combat forces.

In spite of this increase in allied funding, the ceiling will still not satisfy all U.S requirements. Within the framework of the program--available funds, procedures and policies--it is not always prudent to expand criteria for items not eligible for NATO funding. The U.S. has many high priority infrastructure requirements that are currently eligible for NATO funding and are planned for programming in this six year period. New proposals for common funding must compete for available funds and could cause other eligible projects to be deferred. We propose expansion of the program when it is warranted by new operational requirements such as GLCM and PERSHING II or when it is economically beneficial to the U.S. Currently, NATO is considering U.S. requests for common funding for wartime facilities support for tactical helicopters, new storage requirements in Germany, and security upgrades at missile sites and ammunition storage areas. The main emphasis through 1990, however, will be on the programming of currently NATO-eligible requirements in support of NATO-assigned combat forces. U.S. MILCON funding will still be required to construct administrative, personnel support, and other essential peacetime requirements.

Recoupments. We have developed a realistic recoupment plan that European commands are implementing fully and the receipt of funds from prior prefinancing has been steady. Thanks to efforts of the European commands and Mr. Loveland, the programming and authorization rate for our prefinanced projects has increased.

U.S. Contractor Participation In NATO Construction. In response to this Committee's concern, the Department assigned an ombudsman to promote greater participation in NATO-funded construction by U.S. contractors. Over the past year, the office of the ombudsman has been very active in advertising all NATO projects over $5 million, meeting with company representatives, briefing on program procedures and bidding opportunities and, working with the Commerce Department on certifying companies. To date, some 50 U.S. construction and engineering firms are certified, or are in the process of being certified, to do business with NATO. Additionally, contact has been maintained with The Associated General Contractors of America and a feature article written for their international newsletter.

In spite of these efforts, there has been little interest on the part of U.S. contractors to bid on NATO-funded work. Meetings with construction industry representatives indicates no interest in projects under $15 or $20 million and then, only in selected countries. Typical of the larger projects which have been advertised but failed to attract bidders are:

- A 70 kilometer pipeline prefinanced by Germany at $12 million.

- Airfield construction costing $28 million at a single base in Greece.

- Several airfield projects in a single country, advertised as a package for $51 million.

- Ammunition storage site in Germany - $40 million.

The Department intends to continue advertising NATO-funded construction, however, based on the industry's response, we recommend raising the dollar ceiling to $15 or $20 million.

Subcontractor Bidding Procedures. Last year, this Committee also directed the Department to seek changes in NATO procurement regulations regarding subcontractor bidding procedures so that they are consistent with U.S. law. As indicated in a recent report to this Committee, NATO procedures do conform to those of the U.S. as there is no requirement either in U.S. law or the Federal Acquisition Regulation (FAR) for subcontractors to be named in bid proposals from prime contractors. Nor do we believe it appropriate to have such a requirement for if the use of specific subcontractors is mandated, then failure to perform could excuse the prime contractor from liability for a project. This, in the Department's view, would be most undesirable.

It is the Department's intention, however, that U.S. subcontractors and suppliers should be able to compete fairly in the NATO market. The U.S. Mission, NATO has raised the issue with the allies and the matter has been referred to a special working group that deals with international competitive bidding procedures. We expect a response sometime in late April or early May and then will notify the Committee of the results.

Conclusion.

This concludes my remarks on the NATO Infrastructure program. I ask that Mr. Loveland now be given an opportunity to present his statement to the committee.

Thank you Mr. Chairman.

BURDEN SHARING

Mr. **Hefner**. Last year Secretary Weinberger in his report on allied contributions to the Common Defense stated that considerable progress has been made by our allies in increasing their defense efforts. However, he admonished Congress from making specific legislative efforts to compel a particular level or type of allied performance. Could you expand on that statement and give us some specific examples of these unwise legislative efforts?

Mr. **Bader**. I think, Mr. Chairman, that part of the problem derives from the linkage of allied performance as a measure of what the U.S. might be prepared to do. We would suggest that the true linkage of the U.S. effort should be a function not of what our allies are doling but what the threat is. So in that context, attempting to link U.S. participation with what the allies are doing, we feel misses the mark.

We have, as the committee understands, continued to work with the allies to attempt to get them to increase their participation in the collective defense. Certainly the record would show that there is room for improvement by the allies as well as ourselves.

Mr. **Hefner**. Well, I understand that, but it seems to me that our allies understand the threat also. That should be as much of a concern to them as it is to us. The point that we have made over the years from this committee when Mr. Regula was here, and Mr. Edwards, is that our constituents back home are called on to make sacrifices. They feel like the defense of our allies is just as important to them certainly as it is to us. We understand that we have to take into consideration the threat. It is sort of like operating on faith. It is kind of tough to explain to your constituents all about the threat because you don't have that forum to explain the threat to them. So you have to have faith that you are spending all these dollars for defense, that there is a threat and they don't really understand why it is such a tough thing for our allies to belly up in bad times, just as we do, for host nations support or what have you.

I just don't think we have been unduly harsh because we are the ones that are under the gun to keep these funds moving. I don't know if you agree with that. I don't think that we have been too tough on the demands that have been made.

This committee in the past has taken a number of specific actions to encourage greater participation by our NATO allies in military construction. These have included a constant drum beat to increase the infrastructure program, refusal to prefinance construction at collocated operating bases, refusal to fund new bases in Turkey and specific suggested changes in eligibility criteria. In many cases this stance by the committee has helped the department achieve increased burden sharing by our allies. Can you comment on your preferences regarding specific actions of this committee?

We just talked a little bit about some of these things. Would you comment on some of the things that you would not like to see us do or some of the things that you think we have done?

Mr. **Bader**. I would prefer, if the chairman agrees, to submit for the record a more considered view of what the committee has done to support our efforts and those efforts that we think may be less desirable.

Mr. **Hefner**. Could we have that as quickly as possible?

[The information follows:]

The Department is pleased at the continued support this Committee has given to the European and NATO funded construction programs each year. For the past several years, the Department has testified that there is a standing policy to make maximum use of the NATO infrastructure program for our construction requirements in Europe. Additionally, every opportunity is taken to enlist support from the allied host nations. Committee restrictions on prefinancing, particularly at the collocated operating bases, called attention to a significant deficiency in infrastructure programming. This was reflected in responses to NATO regarding the inability of the U.S. to properly beddown tactical air reinforcement forces in Europe which, no doubt, had some impact on follow-on infrastructure planning. Part of the problem in prior years, however, was the lack of adequate NATO funds along with higher priority requirements to support in-place forces. The substantial increase in NATO funding beginning in 1985 coupled with added emphasis on conventional defense improvements served to upgrade the priority of projects at the COBs.

The Committee has directed that the infrastructure program be expanded to accommodate specific U.S. construction requirements. Oftentimes, the obligation of appropriated funds was restricted pending some mandated action on the part of DoD. In most instances, these actions have had little influence in obtaining NATO support and, often, have delayed essential construction. As an established policy, the U.S. has always first explored the use of NATO funds when new facilities requirements in Europe have been identified. There are several U.S. initiatives for additional infrastructure funding currently under review at NATO Headquarters.

Increasing host nation support for U.S. facility requirements is a continuous task. Over the years, we have received, and will continue to receive, among other things, real estate for U.S. construction, favorable arrangements for design and construction management, use of excess facilities, and a number of essential services. Additional support is pursued when warranted.

As an example of a less desirable action, the Committee, in its report on the 1986 military construction program, directed that a base closure or consolidation study be conducted on our bases overseas. It further directed that no funds be obligated for the purchase of the Reichel facility until the report had been approved by the Committee. The Department submitted the report on 31 January and, nearly two months later, we still have not received approval from the Committee. With the continued weakening of the dollar, the longer we wait for approval, the more it will cost us to purchase the building for which funds were appropriated last year. Further, it denies our forces the use of this much-needed facility.

Mr. **Lanoue**. One of the things, Mr. Chairman, that we are very proud of is the increased size of the NATO infrastructure program. It is about a 56 percent increase from the previous five year program.

There are some things that the committee has directed or requested us to do, like getting NATO to pay for the CW protection at collocated operating bases that has has been agreed upon by the allies to be a national responsibility. The people that suffer from such a direction would be the people who would be using the facilities, because they wouldn't be able to get the funding either from NATO or from the United States, since we haven't been able to get the funds through this committee.

I join Mr. Bader and would like to provide you additional information. But these are examples that you mentioned that I wanted to comment on.

Mr. **Hefner**. The most significant areas of increase on the part of our allies are reported to be improvements in conventional defense capabilities and measures to offset possible U.S. force deployment to Southwest Asia. Last year these improvements were at a conceptual stage. Can you report on the progress of the past year along these lines?

Mr. **Bader**. Well, Mr. Chairman, on the conventional defense initiative, Secretary General Carrington's initiatives, the allies agreed in May of last year at the ministerial meeting to adopt an action program that has been made part of the force goals process at NATO. I believe the committee understands that under that process these are more or less programs that the military authorities at NATO recommend for consideration by the participating countries for adoption into their plans. So that that type of planning is underway at the present time and the allies are considering how to incorporate those into their future plans.

Similarly, about Southwest Asia, the NATO military authorities identified a series of responses that the allies could take were the United States to commit forces to Southwest Asia. That is part of the continuing process, ongoing process, at the alliance. We would have to go through and look at the various things that have been done by the allies if the committee wanted more specificity than that.

[Clerk's note: The following questions were submitted by Mr. Hefner:]

Question. Outline the trends in defense expenditures of our NATO Allies in the past year in terms of actual expenditures.

Answer. The following table provides the actual defense expenditures of our NATO Allies for the year 1980-1984 and estimates for 1985 all in constant 1984 prices and exchange rates.

DEFENSE EXPENDITURES

[U.S. dollars in millions—(percent change from previous year shown in parenthesis) (constant prices—1984 exchange rates)]

[Deflated by TGE deflator—base year 1984]

Country	Fiscal year—					
	1980	1981	1982	1983	1984	1985
Belgium	2,430.86	2,452.39	2,449.64	2,443.66	2,451.71	2,602.61
	(1.94)	(0.89)	(−0.11)	(−0.24)	(0.33)	(6.15)
Canada	5,988.57	6,175.88	6,477.97	6,996.92	7,532.62	7,590.67
	(5.08)	(3.13)	(4.89)	(8.01)	(7.66)	(0.77)
Denark	1,259.90	1,266.96	1,263.46	1,273.55	1,259.54	1,272.10
	(1.34)	(0.56)	(−0.28)	(0.80)	(−1.10)	(1.00)
France	18,900.44	19,635.97	19,900.79	20,262.52	20,212.38	20,143.05
	(3.20)	(3.89)	(1.35)	(1.82)	(−0.25)	(−0.34)
Fed. Rep. Germany	19,543.98	20,175.96	20,038.36	20,229.05	20,124.92	20,538.52
	(2.33)	(3.23)	(−0.68)	(0.95)	(−0.51)	(2.06)
Greece	1,850.25	2,272.11	2,248.10	2,056.56	2,412.37	2,418.79
	(−9.40)	(22.80)	(−1.06)	(−8.52)	(17.30)	(0.27)
Italy	8,651.39	8,607.98	8,877.50	9,097.30	9,352.80	9,561.44
	(4.90)	(−0.50)	(3.13)	(2.48)	(2.81)	(2.23)
Luxembourg	34.18	35.81	37.21	38.50	38.66	38.45
	(16.31)	(4.77)	(3.92)	(3.46)	(0.43)	(−0.54)
Netherlands	3,603.24	3,753.89	3,835.03	3,854.42	3,978.25	4,007.63
	(−2.11)	(4.18)	(2.16)	(0.51)	(3.21)	(0.74)
Norway	1,465.61	1,504.70	1,567.12	1,629.61	1,554.53	1,800.71
	(1.77)	(2.67)	(4.15)	(3.99)	(−4.60)	(15.83)
Portugal	663.75	671.69	675.67	658.63	628.52	634.85
	(6.03)	(1.20)	(0.59)	(−2.52)	(−4.57)	(1.01)

DEFENSE EXPENDITURES—Continued

[U.S. dollars in millions—(percent change from previous year shown in parenthesis) (constant prices—1984 exchange rates)]

[Deflated by TGE deflator—base year 1984]

Country	Fiscal year—					
	1980	1981	1982	1983	1984	1985
Spain	4,119.66 (2.88)	4,163.97 (1.08)	4,258.77 (2.28)	4,438.82 (4.23)	4,665.50 (5.11)	4,782.15 (2.50)
Turkey	2,180.46 (2.05)	2,219.60 (1.80)	2,321.21 (4.58)	2,218.26 (−4.44)	2,190.04 (−1.27)	2,259.68 (3.18)
United Kingdom	20,833.31 (2.81)	21,129.64 (1.42)	22,390.44 (5.97)	22,486.17 (0.43)	23,400.10 (4.06)	23,798.07 (1.70)
United States	182,324.70 (4.15)	190,877.83 (4.69)	204,552.97 (7.16)	220,915.09 (8.00)	231,459.00 (4.77)	249,727.77 (7.89)

Question. One measure cited as an aspect of burden-sharing is the political cost to our NATO Allies of conscription to fulfill their manpower requirements. Can you expand on that and give us your opinion on restoring the draft in this country?

Answer. The political costs of conscription in most NATO countries (all except Canada, UK, Iceland and Luxembourg) are basically the same as they would be in this country. These stem from such considerations as the desire not to be compelled to spend time in the military against one's will, and the delay it would cause in completing one's education or getting started in a career. Moreover, when not all of each cohort is called, there will likely be resentment of the perceived inequity of requiring some to serve while others are deferred or exempted.

We do not believe there is any need for this country to return to conscription to satisfy military manpower requirements. Under the volunteer concept, unprecedented progress is being made in the direction of a more professional, experienced and effective military force. It is being accomplished by reducing turnover, increasing quality, and minimizing personnel overhead. All of the currently favorable trends will be undone by scuttling the volunteer concept in favor of the draft. A return to conscription would, in all likelihood, also result in increased costs to the taxpayer. We would require more two-year conscripts to replace three and four-year volunteers, which would result in increased personnel turbulence and generate additional training costs. Unless it can be demonstrated that a draft will produce an equally qualified and experienced force of about the same strength at less cost, there is little advantage to returning to conscription.

[CLERK'S NOTE: This concludes Mr. Hefner's questions.]

OVERSEAS BASE CLOSURES

Mr. HEFNER. Last year, there was much discussion and concern about the Department of Defense's so-called national list of base closures within the United States. This year we see a list narrowed down to three bases without any recommendations for base closures overseas. For this reason the committee has been requesting the department to pursue a plan for base consolidation overseas especially in Europe. Instead, we see the Army, Navy and Air Force all unilaterally expanding their mission in Europe in various ways which have the effect of requiring more and more military construction funds.

Mr. **Holaday**. Speaking from the departmental standpoint, yes sir, we think we have had enough time to conduct the study. The services continually review their overseas base structure requirements and we think the report submitted to the committee was substantially accurate. If we had more time, we would not have come to a different conclusion than the one we reached in the report.

Mr. **Bader**. That was Mr. Holaday, Mr. Chairman, who managed the preparation of that report.

Mr. **Hefner**. In view of the time constraints on the preparation of your report, will you briefly explain the methodology used in making your assessment on how you arrived at a conclusion that none of them were candidates for closure or consolidation?

Mr. **Holaday**. Each of the military departments examined in detail their overseas bases. Generally speaking the department went to their overseas commands and asked each of those commands to do the detailed investigation of their base structure. Each base was examined to determine what its requirements were and whether or not those requirements could be met at some other installation. We think that the report that came forward is accurate, we think there are no bases that can be closed at this time. The Services are continuing to examine their overseas base structure to see if there are other bases that may be made available for closure sometime in the future.

Mr. **Hefner**. OSD didn't make any challenges?

Mr. **Holaday**. No sir. We reviewed the report, we examined it, we found it to be accurate and adequate.

Mr. **Hefner**. What additional and long term actions are you going to require to insure that opportunities for base closures and consolidations at overseas locations will be sought out and pursued by the military services?

Mr. **Holaday**. Each of the military departments is required to review its real property holdings on an annual basis, which they do. As I mentioned, the services do have programs in the overseas commands to review their requirements and their need for bases they have overseas. If a base happens to become no longer needed for military requirements in one service, it is referred to the other services to see if there is a military requirement within the Department of Defense. If not, it is then discussed with the local national government and steps are taken to turn it back over to the foreign countries.

[**Clerk's note**: The following questions were submitted by Mr. Hefner:]

Question. Why did you wait until November 26 to initiate the study when the House report requesting the study was adopted back in September?

Answer. Each of the Military Departments was aware of the House report, and we informally discussed the study with them when the report was issued. We knew that the report would be discussed in conference with the Senate Appropriations Committee, and delayed our formal direction to the Military Departments until the conferees had agreed on the nature of the study. As it turned out, the conferees did change the study requirement.

Question. The time between November 26, 1985 when the study was initiated and January 17, 1986 when the study was completed, represents about 1½ months. Considering the holidays, the services had only a little more than a month to put their reports together. Wouldn't you think that responding in 30 days would mean that any assessment to close or consolidate bases would be superficial?

Answer. No, sir. The services already review their overseas basing requirements constantly, and therefore have a good, solid foundation of information to work from. Also, the services were aware of the House report in September and did not need to await formal tasking to begin gathering any special data needed for the study.

Question. What organizational changes do you envision in your major overseas commands that will emphasize and direct attention to base closures and consolidations?

Answer. The Military Departments have no such organizational changes planned for their major overseas commands. In our view, the services already place a proper emphasis on ensuring they have the base structure they need for foreseeable peacetime requirements and the transition to war.

[CLERK'S NOTE: This concludes Mr. Hefner's questions.]

ESTABLISHING NEW INSTALLATIONS

Mr. HEFNER. Currently, a new installation or facility can be opened at an overseas location by the simple execution of a lease, as was done by the Army in acquiring use of the former Reichel Rug Factory in Rheinberg, Germany, or entering into an agreement to take over operation of a host nation installation, as we done by the Air Force in acquiring use of the Royal Air Force Kemble base.

Once U.S. military presence is established in a new facility or installation, there is a tendency to ultimately enlarge the presence and eventually the facility or installation becomes so essential to the using activity that closure rarely results. Why was Congress not notified of the establishing of U.S. Air Force presence at RAF Kemble?

General ELLIS. The presence at Kemble as you stated, Mr. Chairman, is a lease arrangement for our European distribution system. We don't consider that our base, although we are in conjunction with the RAF, using that installation for our European distribution system.

Mr. HEFNER. What are we spending there?

General ELLIS. I don't have the exact numbers, sir. I would like to provide that for the record, if I might.

[The information follows:]

The agreement between the Air Force and the United Kingdom does not require facility leasing fees, however, the Air Force pays for all operations and maintenance costs associated with using the base. The FY 1986 appropriated costs are budgeted at $5.8 million, with an additional $11.8 million in depot industrial funds. These funds will be used for activities such as facility maintenance and repair, utilities, security, fire protection, depot maintenance and the site in the United Kingdom for the European Distribution System.

DIFFICULTIES IN CLOSING OR CONSOLIDATING ARMY INSTALLATIONS IN GERMANY

Mr. **Hefner**. We understand that in the European Command there are 822 installations and of these, 759 are located in Germany. Your report points out several developments in Germany that have made it difficult for the United States to effect consolidation. For example, there is an increased environmental awareness and a change in political attitudes of the German public toward defense related projects. I am speaking of things like land acquisition, firing range noise, aircraft stationing and tree cutting. What actions have been taken to lessen the difficulties being encountered by the Army in its activities?

General **Dacey**. As you are well aware, we have had significant problems in recent years as we have approached execution in meeting all of the permitting requirements of the various states in Germany. This is compounded by the fact that while many powers in our system of government are held at the national level, and can be more easily resolved, in Germany those authorities exist at the state level. Since we have been made aware of those problems, we have involved the Germans earlier in the process to ensure that as we approach execution we won't find that we have to go back and change in order to accommodate some provision of their permitting process.

Mr. **Hefner**. Do you expect the difficulties to worsen or become more difficult?

General **Dacey**. I would say that we feel we have some of them under control. But others are going to be very difficult to get ironed out and those are going to take action at the highest levels. We have formed, in conjunction with the Air Force, a committee from the State Department, Army, Air Force, and USEUCOM, and have met with the Minister of Defense and the other ministers at the FRG level to try and anticipate these types of problems and what we should be doing, collectively, to alleviate them. Some of them are going to be difficult.

The Germans are undergoing an environmental awakening like we went through. They are passing some very strict environmental laws which are going to govern our actions in the future. We do not think these will present insurmountable problems in accomplishing our construction programs.

Mr. **Hefner**. The Army has requested an additional $600,000 for a family housing project in Germany because substantial site changes were required by the German Government before a final approval would be granted. This project is the first of the Army's use of U.S. manufactured housing in Germany. Explain why the German Government insisted on these site changes, and why the U.S. did not ask them to pay for the additional costs.

General **Dacey**. Sir, the additional costs were in the area of $600,000. The problem was where we wished to locate the housing. To accommodate the site that we had selected would have caused a considerable amount of tree cutting. There were other problems associated with runoff and environmental concerns. After discussions with the Germans we determined that we could move to a different location.

Mr. **Hefner**. Did you determine it or did the Germans determine where you would move?

General **Dacey**. We looked at it and identified another site that we saw would meet our needs and proposed that as an alternative.

Mr. **Hefner**. What was the original cost of the project?

General **Dacey**. I am sorry sir, I don't have that. With your permission I would submit it for the record, sir.

[The information follows:]

The appropriated amount of the Wildflecken project was $9,988,000.

Mr. **Hefner**. You don't know how much additional cost? Obviously it was in the $600,000 range or more. Were you not aware when we entered into these agreements for this site that you had these potential problems or did they crop up after you had made them?

General **Dacey**. Sir, as you know, in the housing arena particularly, almost all of our construction in Germany is done under a system that approximates the Turnkey system. We identify an area of land in the 1391, and where we propose to put it. This is done in order to compute the support costs for utilities that would be required for the project, but there had been no previous coordination with the local authorities at that time. It was only after the Congress had authorized us to build something that we would then get a contractor and enter into the final negotiations for design.

As I pointed out, we are trying to anticipate problems earlier now in the planning process to preclude having that kind of problem arise in the future.

Mr. **Hefner**. How far is this site from the site that you originally had picked?

General **Dacey**. I am sorry, I do not have that information with me.

Mr. **Hefner**. Do you know if it is nearby or ten miles?

General **Dacey**. No, I don't.

Mr. **Hefner**. You don't know?

General **Dacey**. No sir, I am sorry, I do not.

[The information follows:]

Subsequent to the hearing, I was able to ascertain that the distance of the alternate site from the original site is approximately one-third of a mile.

[Clerk's note: The following questions were submitted by Mr. Hefner:]

Question. Recently in Germany base expansions have occurred at Hahn Air Base and the Vilseck Army Base. These expansions were both a high priority of the Department. It seems as if realignments or expansions can occur despite the difficulties you cite, if a high enough priority is placed upon it by the U.S. Would you agree?

Answer. The priority the U.S. places on a project seems to us to have little bearing on its success in the face of opposition from the German public. We cannot speak to the Hahn experience. In the case of Vilseck, we had land under U.S. control available for expansion. Vilseck is one of a very few places we have land available, and expansion at Vilseck will have a beneficial economic impact on a depressed area. The proposed construction has little adverse impact on the environment.

Question. What do you think needs to be done to cause the German Government to take a more active and decisive role in overcoming the difficulties being experienced?

Answer. We must continue pressing Germany at all levels of government to support U.S. forces requirements for improvement of facilities. The activities have to be taken across a broad front with persistence and patience. Individual measures which will provide quick or dramatic results are not known. Efforts have to be taken in recognition of the difficulties inherent in dealing with a democracy. For example, the initiative to consolidate activities in Europe under the Master Restationing Plan was pursued at the government to government level with considerable assistance by the Congress. This effort was unsuccessful despite the best effort of all U.S. agencies involved.

Cost issues, environmental sensitivity, and local concerns over real estate can make it difficult for European leaders to obtain public support for U.S. forces initiatives. West Germany, with its dense population and heavy military burden, is particularly affected. For these reasons and the fact the ruling coalition is facing a very tough federal election in January 1987, it is understandable why even strongly pro-defense, pro-NATO, and pro-American politicians have to distance themselves somewhat from our more controversial projects. There are many Germans who now feel that the quality of their life must take precedence over economic development and defense activities. As a result, we must create a situation in which the climate is favorable to obtaining German political support.

USAREUR will follow through on steps to reduce adverse impacts of military activities on the German population. The Department will continue to press for assistance and approval on a case by case basis. "Quid-pro-quo" procedures will be followed to satisfy initiatives when local agencies have a requirement for some of our existing land holdings.

In summary, persistence, consideration for local concerns and continued support for badly needed construction are the things that need to be done.

Question. What impact would reduction of U.S. forces in selected areas of Germany have on alleviating the problem the Army is confronting?

Answer. Reducing the US presence in Germany quite obviously would reduce US facilities requirements and associated environmental impacts. However, such action would not change the basic problem which is that available military facilities consist of a number of small kasernes or installations spread throughout the country, normally in urban areas, where continued use and development is quite likely to meet with local opposition. In addition, a reduction in the US presence would hamper our ability to meet mission requirements without substantial improvements in other areas such as prepositioned equipment storage and provision of additional transportation assets.

[CLERK'S NOTE: This concludes Mr. Hefner's questions.]

GRAMM-RUDMAN EFFECTS

Mr. **COLEMAN**. Let me ask a question. I don't want to get too far behind if I could. The total you said earlier was $1.4 billion for facility construction in Europe, is that correct?

Mr. **BADER**. Yes sir.

Mr. **COLEMAN**. I have that divided out as $617 million for construction in Germany, $103 million for construction in Italy, $78 million for UK, $147 million for new family housing construction. I think that would be approximately right. Could you compare that? This is the fiscal year 1987 budget proposed by the President?

Mr. **BADER**. Yes sir.

Mr. **COLEMAN**. We are going to start fresh with new budget numbers. I am real interested in getting a comparison for the record if you could, from last year. In other words, following Gramm-Rudman, I hate to make a comparison, we need to make it clear what we actually did in FY 86 currently following the effects of Gramm-Rudman.

Mr. **BADER**. The effect of Gramm-Rudman on FY 86 as opposed to '87?

Mr. **COLEMAN**. That is correct. There is no sense in comparing fiscal year 1987 with FY 86. I think we ought to do it with actual so we can see what the increase in each of those functions or decrease?.

Mr. **BADER**. I think Mr. Lanoue can give you that.

Mr. **LANOUE**. Did you want it for the record, too?

Mr. **COLEMAN**. Yes, I would like it if you don't have the numbers readily available.

Mr. **LANOUE**. Essentially, every one of the projects that was appropriated last year was reduced by 4.9 percent, including——

Mr. **COLEMAN**. That was by Gramm-Rudman?

Mr. **LANOUE**. Yes sir.

Mr. **COLEMAN**. I am asking for compared current FY 86 with what you are asking in '87. In other words, what I am asking you to do is compare numbers. Let's use April 1 '86 as a comparison.

Mr. **LANOUE**. All right, I will provide that for the record.

[The information follows:]

In 1986, $1.1 billion was requested and $.85 billion was appropriated. The Gramm-Rudman-Hollings Act reduced the appropriated funds by 4.9% to $.8 billion. This compares to the $1.3 billion requested for Europe this year.

Mr. **COLEMAN**. Compared to the $1.4 billion, is this an increase or decrease from last year?

Mr. **LANOUE**. This is an increase.

Mr. **COLEMAN**. How much?

Mr. **LANOUE**. Approximately $200 million. Most of it is because of additional money we are asking for in the NATO infrastructure program.

CURRENCY FLUCTUATION ACCOUNT

Mr. **COLEMAN**. Let me ask you about the NATO infrastructure program. I noticed that you are requesting a foreign currency fluctuation account of some kind. Would you care to describe that?

Mr. LOVELAND. I wasn't aware that we were requesting such an account.

Mr. LANOUE. I understand the department is requesting a foreign currency fluctuation account. I don't think of it as directly related to the NATO infrastructure account.

Mr. COLEMAN. Well, yes, I think it would be.

Mr. LANOUE. The infrastructure account might be affected by it but it is not part of our budget request for NATO infrastructure. It is something that would affect any project that is programmed for construction overseas, not just those funded by NATO.

Mr. COLEMAN. Not those but it would affect this part of it.

Mr. LOVELAND. The previous time that we had such an account in military construction was, I think, FY 79, '78, and it was funded a single time for $125 million I believe, and by the time those funds were used up the dollar had turned the other direction. In recent years, we have been giving money back from currency exchange rates improvement.

Mr. COLEMAN. It has gone the other direction?

Mr. LOVELAND. Now, as of the time the five nations got together last September, the dollar has fallen.

Mr. COLEMAN. That is why it seems to me we ought to have such a fund.

Mr. LOVELAND. I couldn't agree more. I just wasn't aware that somebody was going to——

Mr. COLEMAN. It does affect all of these accounts. Even though the Department of Defense is asking for it it has to affect what you are doing in military construction, doesn't it?

Mr. BADER. One way or the other.

Mr. LANOUE. Overseas.

Mr. COLEMAN. My understanding is they would initially be funded not by appropriations from Congress but rather by the gains proceeds rather than return of the proceed that would be used initially to fund such an account. Is that the way it was done before do you know?

Mr. LOVELAND. No sir.

Mr. COLEMAN. Is it going the other direction? It was appropriations of $125 million and as I said, the gains in currency exchange over the last four or five years, have been produced back into the Treasury through reduction of our appropriations. So therefore, there are no funds to fund a new account. But when you do military construction—let's use the example of our base in Naples. The lease, it is paid in lira, isn't it?

Admiral JONES. Yes, the construction contract costs are paid in lira.

Mr. COLEMAN. And the exchange rate has dropped from 23 to 15 or 1600—I am using an approximation.

Mr. LOVELAND. Yes sir.

Mr. COLEMAN. That is a gain isn't it?

Mr. LOVELAND. It is a loss.

Mr. COLEMAN. To us it is a loss to us and it had been going the other direction for a number of years?

Mr. LOVELAND. Five years.

Mr. COLEMAN. When we set up such an account, if Department of Defense is successful in setting up such an account, you are saying what we would have to do we would have to fund it with appropriations, like we did last year?

Mr. Loveland. Yes sir, because the previous account was a one way account. It could only be used to cover losses.

Mr. Coleman. Okay.

Mr. Loveland. In the meantime, as you said, we made quite a gain on the appreciation of the dollar and those funds went back to the Treasury through reduction in appropriations.

Mr. Coleman. When you suggested—on the other thing I want to get clear—you said there was a $200 million increase in the budget. What are we comparing to, I want to get that clear. Are we comparing that to what we actually wound up with in the appropriations bill last time, or after Gramm-Rudman, or after you made the cuts?

Mr. Lanoue. This would be comparing our budget request this year to what our request was last year.

Mr. Hefner. So you are not taking into account the 4, whatever?

Mr. Lanoue. Four point nine percent.

Mr. Hefner. So you are just going from the baseline of what you requested last year?

Mr. Lanoue. That is correct.

Mr. Hefner. That is what, between 15 and 20 percent increase?

Mr. Lanoue. $1.2 versus $1.4 billion.

Mr. Coleman. Yes, that is the problem, I think. That is where the President stands in front of a joint session of Congress says this defense budget is a three percent increase, that is fine if your example is an original. I don't think that is legitimate because we aren't doing it on domestic programs. You know, every time I hear about some additional cost in some domestic program we don't do it that way, we always have, we don't say real because we include inflation. I want to talk about the same kind of numbers. All I want to do for this part of the budget is find out what it is after Gramm-Rudman.

Mr. Lanoue. I would be happy to provide that information. What I was saying before, our request for the NATO infrastructure program is $240 million more this year, because last year we ended up with a $10 million program versus an $88 million request. If you deduct that, then the size of the program as submitted to the Congress is essentially the same. It is just that Mr. Loveland will be needing more new appropriations for NATO infrastructure than he needed last year. As he said, we determined what our budget request is going to be based on the availability of prior year funds. This committee recognizes that and appropriated a much smaller amount last year. This year the dollar is weaker. We don't have much carryover. We need the whole $247 million that we are asking for.

Mr. Coleman. I yield back.

Mr. Hefner. Go ahead if you have other questions.

NAVAL SUPPORT COMPLEX NAPLES

Mr. Coleman. I know we moved over into another area and in actual construction thing I did have some questions concerning the issue of Navy seeking to move the Navy support facility from

Naples. I just ask how long that location plan has been proposed. I must have not been completely up to snuff on that issue, and how long did the Navy study such a move?

Admiral **Jones**. Sir, we undertook a study at the direction of the Congress in 1984 and we submitted to the Congress in June of 1985 a document called the "Naples Complex Overview" and that document addressed our position in Naples. It also addressed the broader question of should we be in Naples, should we be somewhere else, and concluded that for a variety of reasons, we would be in Naples.

Then it addressed the narrower issue of where we should be in Naples. Should we stay where we were, should we try and lease additional facilities, or should we build new construction. And it concluded that we should build new construction. That document was submitted to the Congress in June of 1985. Our current plans that are before the Congress today are a result of the conclusions and recommendations made in that document.

Mr. **Coleman**. Would you tell me, would you provide for us any new updated estimates that you might have in terms of that relocation cost? The reason I am extremely concerned is because I understand that your estimate of costs was fairly optimistic because it was computed on the value of the lira at $1 to 2130 lira when it stands at 1.15 1520 or lira. Considering recent actions by all of the central banks in Germany, the United States and Japan, I think it would appear the dollar may continue to weaken against the world currencies and if you could give us an updated estimate, find out whether or not any information is incorrect?

Admiral **Jones**. Your information is partially correct, sir. The fiscal year 1987 program that we have before the Congress this year was reviewed at the Office of the Secretary of Defense and was priced at 1678 lira to the dollar. I believe that is the right number. That was the rate at that time, 1678. And our fiscal year 1987 program is priced at that exchange rate.

The programmatic estimates which we carry through fiscal year 1991 for military construction. This includes regular Navy military construction, plus some Department of Defense construction for the hospital and for the school, plus some nonappropriated funded projects, plus ten units of family housing. The total, including this year's program, is $226 million. Those cost estimates were arrived at by our Atlantic Division in Norfolk with a consultant. Atlantic Division has many, many years of experience working in the Italian economy, in the construction business. Their consultant is also an expert in that business. The programmed cost estimate is $226 million and represents our best estimate of what those projects will cost in the outyears.

I can't guarantee that will not change, but they do have inflation built into them. These cost estimates have inflation built into them to the extent that our estimate of inflation is correct both on the Italian side and for the U.S. economy. We believe we have good programmatic cost estimates, although I can't guarantee they won't change in the future. The $226 million is our best estimate today in total appropriations.

Mr. **Coleman**. The cost request for fiscal year 1987 for this year is how much? $62 million or $67 million?

Admiral JONES. In total, including the school, which is not part of the Navy's program, but is part of the overall Department of Defense program, including the school and the hospital, is $66.9 million. That is prices at 1678 lira to the dollar, which is close to the current rate.

Mr. COLEMAN. One of the things that I saw on that particular report though concerning moving was earthquake possibility at its current location. Was that a consideration?

Admiral JONES. Absolutely, sir. The seismic threat that we have in Naples today is the driving force for us moving out of that complex. We have a life threatening situation clearly, in the words of my chief engineer the other day, a potential Mexico City disaster sitting there waiting to happen.

Mr. HEFNER. How long have you been there?

Admiral JONES. Been there a long time, sir.

Mr. COLEMAN. I understand that at one of the three sites that are proposed they have had even more severe earthquake shocks on the Richter scale, is that not correct?

Admiral JONES. Mr. Chairman, I have with me my Chief Engineer, Dr. Michael Yachnis, who is the author of the Navy report on the seismic problem we are facing in Naples. He is an internationally recognized structural engineer, particularly for his work in seismic design. Dr. Yachnis, has about an eight minute presentation on the seismic threat in Naples. It if fairly focused and it has some good slides that show the damage that the structures are being subjected to today. I would be happy to offer that to the committee if that might help understand the seismic threat, sir.

Mr. COLEMAN. I would like to have this offered to the committee.

Mr. HEFNER. Sure.

Admiral JONES. Doctor?

Mr. HEFNER. Let me give you some numbers you might be interested in. Last year we appropriated $866 million, for family housing, European family housing. This year, you are requesting $1.4 billion. If you take $200 million away from that that still leaves $344 million increase.

Mr. COLEMAN. That is after Gramm-Rudman?

Mr. HEFNER. No, that is what we actually appropriated.

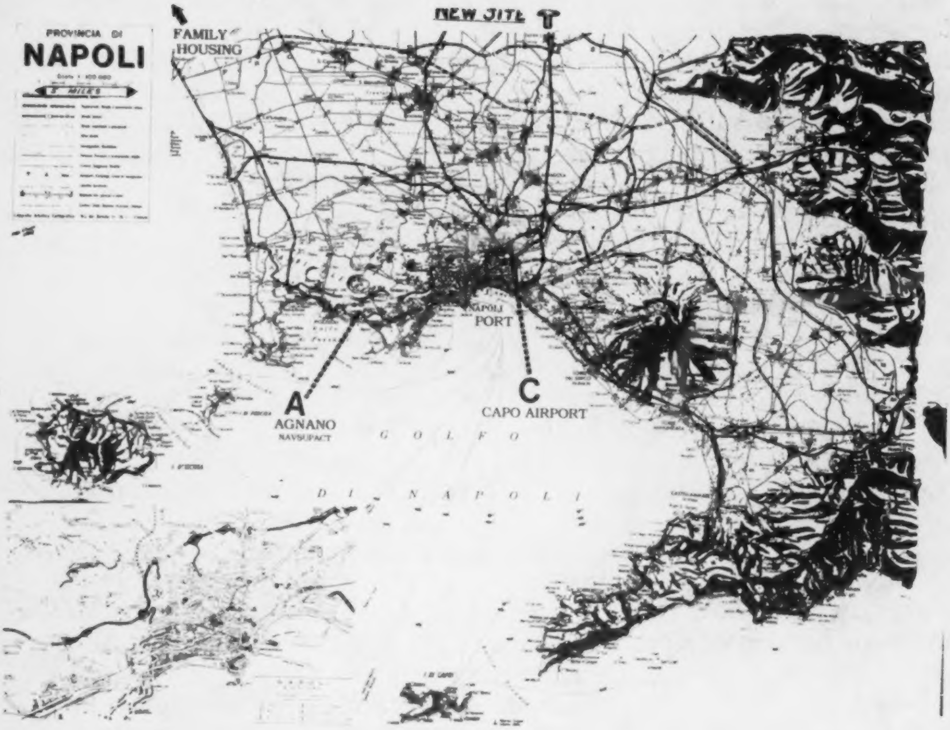
Mr. COLEMAN. Okay. Then you took away the $200 million.

Mr. HEFNER. Yes.

MR. MICHAEL YACHNIS, CHIEF ENGINEER, DEPARTMENT OF THE NAVY

Mr. YACHNIS. The naval support activity is located at Agnano, in part of the Ehlegroen fields, which are called the fields of fire. They are very famous for the volcanic activity and Agnano is subjected to two types of activity, volcanic and tectonic. Volcanic activity is the earthquake which is generated by the intrusion of magma under the earth's crust and therefore, you have tremors; in the tectonic activity we have two plates of the earth's crust colliding upon each other and generating an earthquake like in Mexico City and of course the San Andreas Fault. In the volcanic activity side we have the Colombia South America volcanic activity which, in 1985, killed about 20,000 people.

[Slide follows:]



The area, as I said, is very famous for volcanic activity. In 1538 we had about four to six meters of uplift. We are talking about 20 feet of uplift which was followed by tremors and eruption. From 1972 to 1973, we had another uplift up to 1.7 meters. From 1982 to 1985 we had another uplift of about 1.7 to two meters. Now, this indicates that we have cycles going up and down. Accordingly, this may happen very soon again.

The profound thing about these activities up and down is that you have a residual which stays over there. Today that residual is about three meters. So we have this residual uplift pushing up.

We have a lot of activities associated with this. The Italian Government had evacuated about 40,000 people from the area since '82 and about 600 structures were damaged. We had a group of outstanding Italian and U.S. geologists who tell us that we are going to have, in the long term, earthquakes of magnitude 6.5–7.5 up there, and we are going to have more uplift and tremors.

They say in fact the resumption of uplift in the future would raise the probability of an eruption. In fact we have generated reports which indicate some profound things. First, the buildings which we have now, even for an earthquake on a Richter scale of five, are not safe because the design is inadequate. That means that the buildings have not been designed for seismic but they have been designed for vertical loads only. The piles do not have any reinforcement. Piles are the main part of the building, the feet of the structure and they do not have any reinforcement for resistance to seismic.

The details are very poor. The utilities have not been designed for seismic. But the most profound thing of all is the lack of ductility. Ductility is the property of the structure to absorb energy. For instance, if we have a very severe earthquake somewhere in the order of magnitude of about 7 to 7.5 on the Richter scale, 25 to 30 miles from that area, then we are going to have a catastrophe which is going to be similar to that in Mexico City.

Now, I have a few slides to demonstrate to you what is happening in the buildings. Here you have an expansion and construction joint which goes all the way in front of the Naval Hospital. This joint is supposed to be about six inches if the building had been designed for earthquakes. This is so we can avoid hammering between two parts of the building in case of an earthquake. The existing joint is about three quarters of an inch. You can see what is happening. The joint has already been damaged by hammering. This damage then is extended to this beam which is a main member of the structure and you can see the crack on that structure.

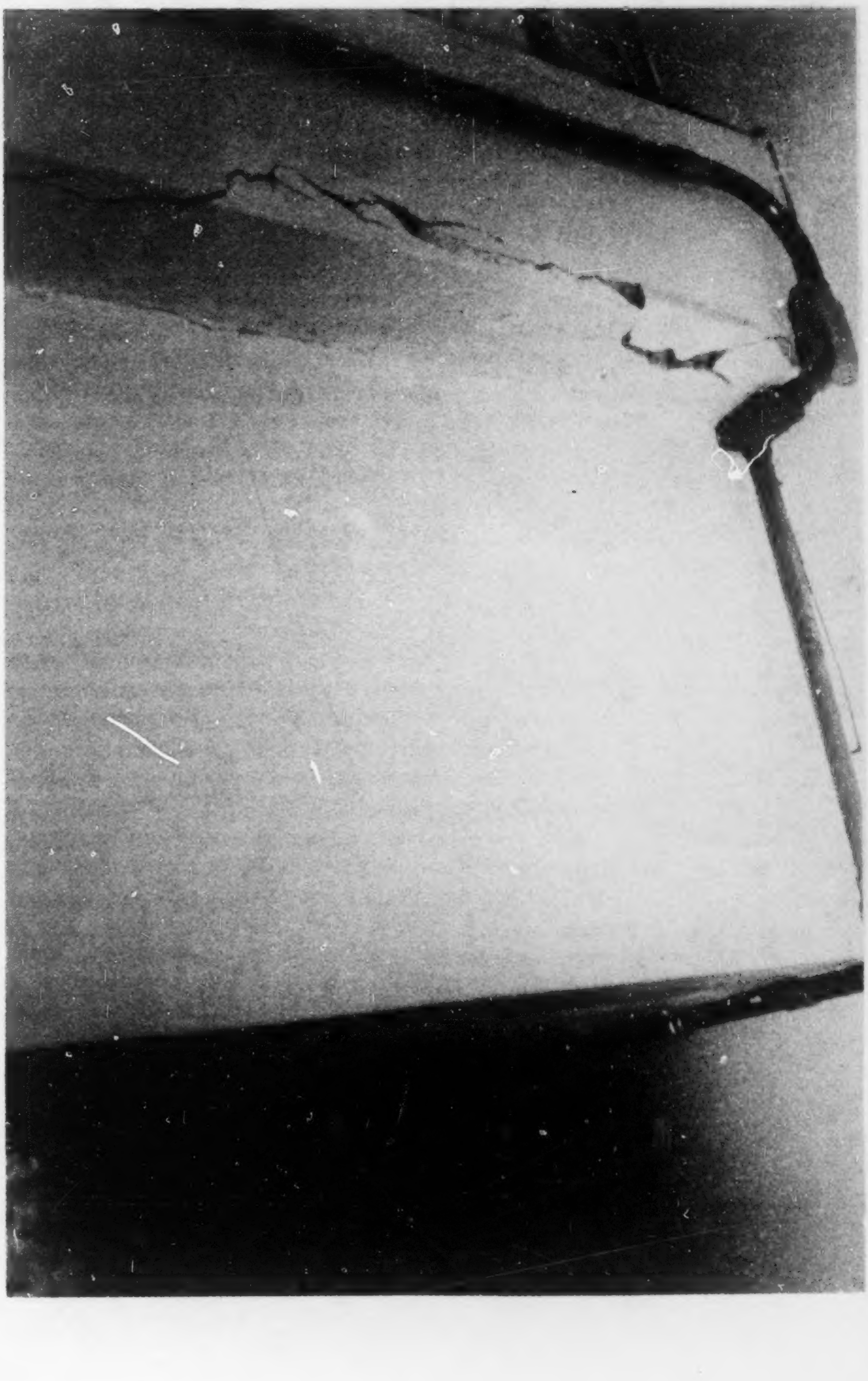
Here is a main column and again this column is subjected to damage as you can see here. These two slides, this one here and the next one, show what is happening to our interior partitions. In fact, we have spent many dollars to correct the situation, and after one or two years we go back and repair again.

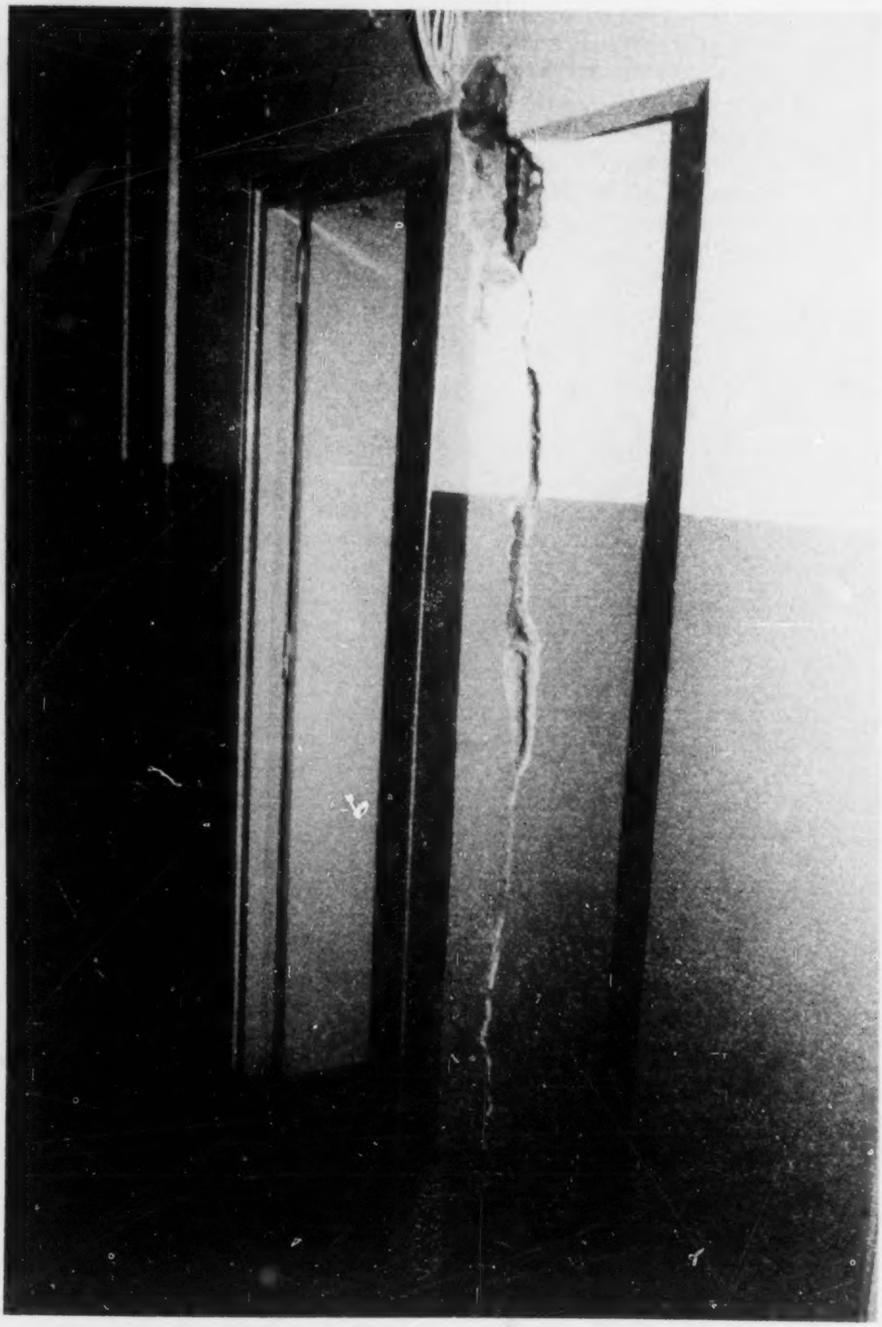
Here is a profound failure of a barracks building. This is the bottom of the column which supports the structure and you can see what has happened to this member because of the earthquake. I looked through it. I have been there many times and I looked to find reinforcement. There is no reinforcement. This column is supposed to have some reinforcement.

Mr. COLEMAN. Is that the hospital?

Mr. YACHNIS. That is the command and control building. This is the barracks. The other sides were from the command and control building.

[Slides follow:]

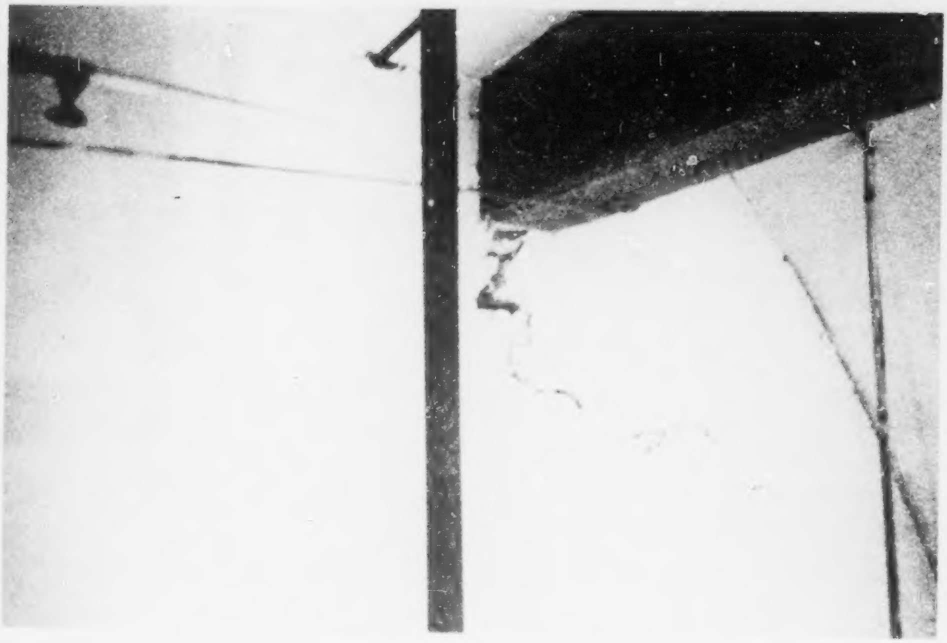


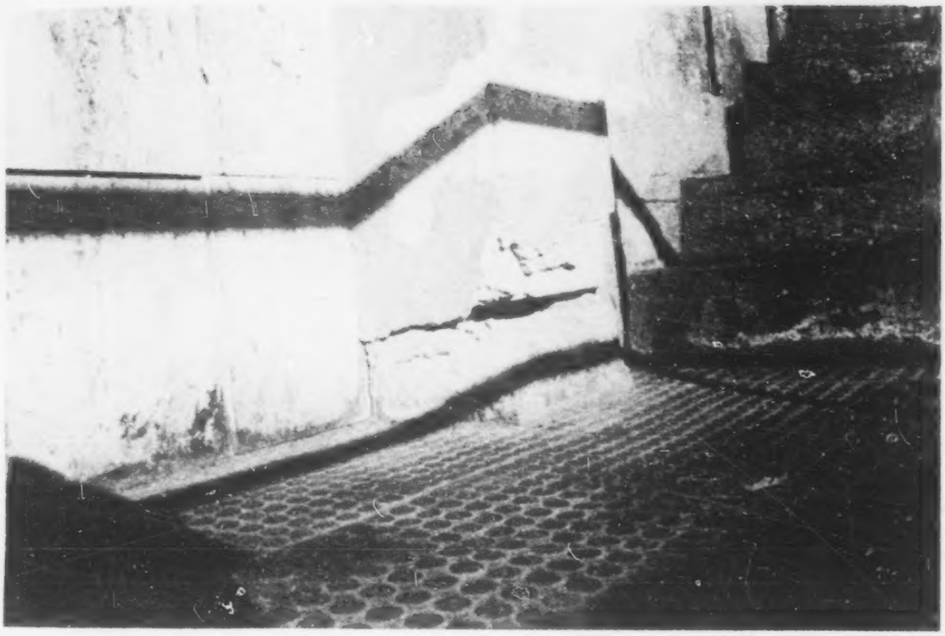


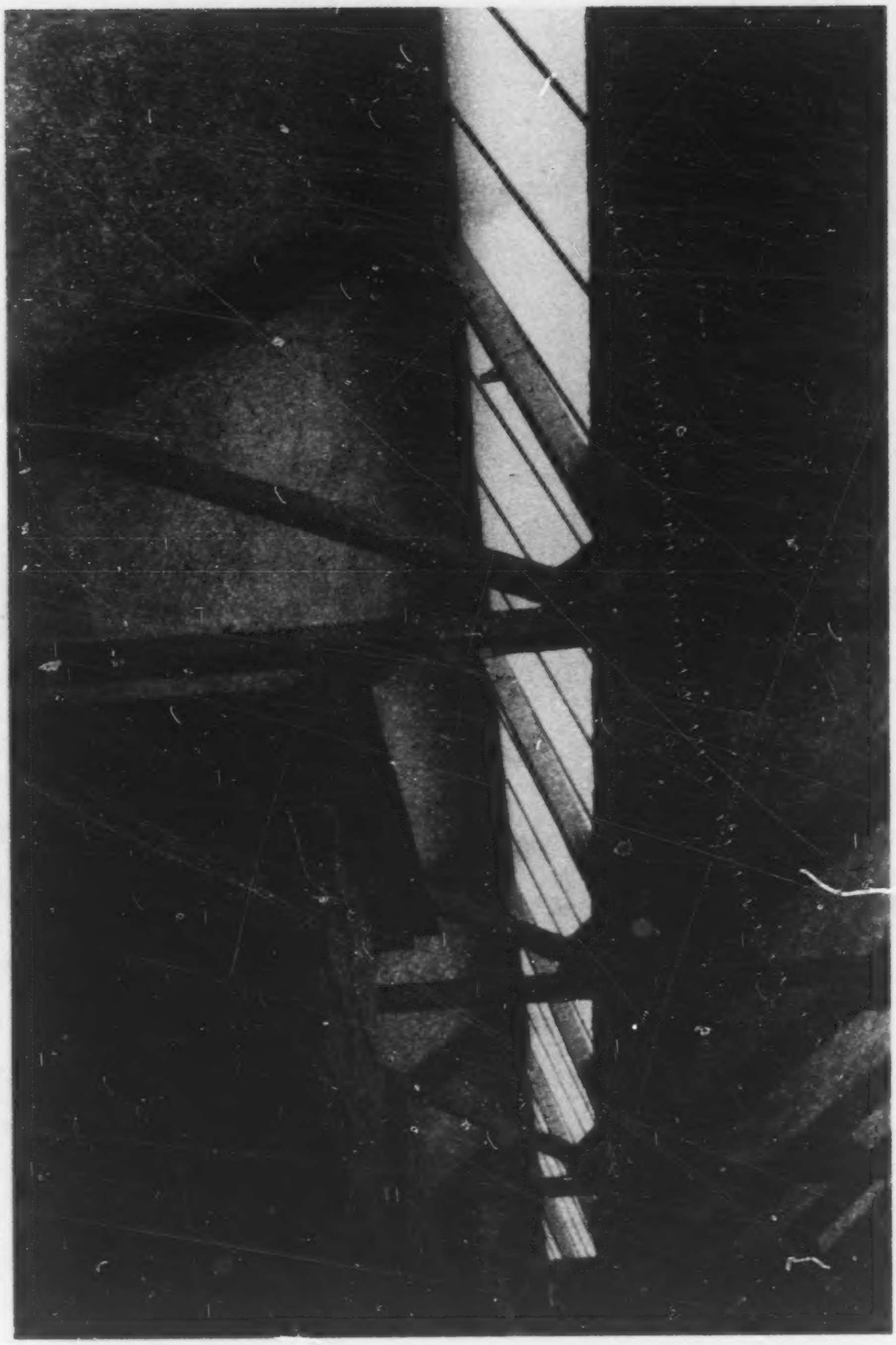
This is a warehouse which has concrete members and you can see the results of the earthquake. In fact, this is again the bottom of the main member.

Now, you may ask me why these buildings did not fall apart so far. The reason is that they have not seen any earthquake of the duration of about 60 seconds, which is a long duration for major tectonic earthquakes. Volcanic earthquakes are of about ten seconds duration. The other thing which is helping us tremendously is the interior partitions. There are interior partitions which even though they are not reinforced, they worked in the past as partial shear walls. All these interior partitions are now busted up and therefore, they cannot work for us. The next earthquake is going to hit the main frames of the buildings which I repeat cannot take any earthquake force, and therefore, we are going to be in trouble.

[Slides follow:]







Mr. **Coleman**. Could you do me a favor, could we put that first map that you had up on the chart there?

Mr. **Yachnis**. Yes, sir.

Mr. **Coleman**. I have not seen the facility. I have never had the opportunity to be there to see it. I use that map thinking it was good. If it is not, you can use some other one. I am interested in seeing where the current naval facility is located.

Mr. **Yachnis**. The current naval facility is located at the bottom of the volcanic crater, just at the bottom of the crater.

Mr. **Coleman**. It is in a depressed area close——

Mr. **Yachnis**. Yes, sir.

Mr. **Coleman**. Now, the three sites, as I understand it, that were proposed, are there three?

Admiral **Jones**. Three were proposed, we settled on one with the Italian Government and they are very close to acquiring that site for us. Now, it is about 27 miles north of——

Mr. **Yachnis**. It is north of Agnano. But you ask the question at the beginning about the earthquake activity at both sites: it is the same. We are talking about orders of magnitude of small differences. The acceleration in the Agnano area, according to our report is .22 g. Acceleration in the Capua area is .223 g. It doesn't make any difference. The structures are going to be designed the same way.

Mr. **Hefner**. Are the activities a little higher where you are thinking about moving?

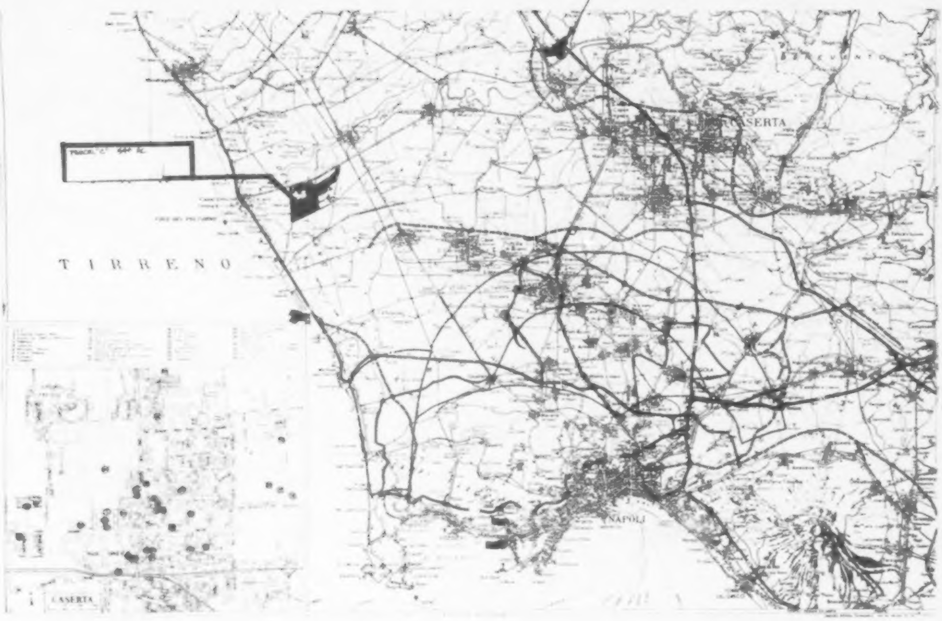
Mr. **Yachnis**. As far as earthquake activity, it is closer to the fault but from the structural point of view, it is the same. On both sites we are talking about .2 g.

Mr. **Hefner**. Is that map not big enough to show us where the——

Mr. **Yachnis**. It is not big enough, Mr. Chairman.

Mr. **Coleman**. Let me ask, there was another site I understood that was nearby the current one. Was that one of the sites? What do they call that. I have got it somewhere, I had seen it.

[Slide follows:]



Capua - New Site

Admiral Jones. I have a map here that will show where we are. We are down here in Agnano. This is site 25, which is the one we have selected. We have evaluated several other sites further to the north and one over here more to the east. This site was chosen for a number of reasons, not the least of which is the autostrada that runs from Naples directly up and past the site, from the Port of Naples. Of course we still will always retain the substantial use of the port. In fact, this year's military construction program aside from the Naples relocation is asking for some repairs on—not repairs but for new projects for the U.S. submarines that come into the port. So actually that site has better access to the port than Agnano does.

Mr. Coleman. One was called Agnano?

Admiral Jones. That is where we are now.

Mr. Coleman. One was called——

Admiral Jones. Capua I think it is.

Mr. Coleman. That wasn't it.

Admiral Jones. Capodichino is the airfield. We will continue to be there.

Mr. Coleman. Is that up north?

Admiral Jones. No. Capodichino is the joint use airfield. We will continue to be there. In fact, we are building a warehouse there that was funded in the '86 program to replace some of the warehouses at Agnano that are crumbling around us and we are asking for funds in this program for an air cargo terminal at Capodichino.

Mr. Edwards. Could you explain the difference, since this is seismic activity is almost identical. What is the difference in building at a new site taking into account the seismic activity or rebuilding at the current site?

Admiral Jones. I would like to ask Dr. Yachnis.

Mr. YACHNIS. That was to be my next item. To reinforce or strengthen the existing structures, is going to be a big job, is going to be a very expensive job, and in fact, is going to be a difficult, very difficult task. I will explain to you why. In order to reinforce the existing facilities you have to provide a complete new lateral force resisting system to take the lateral load from the earthquake. This means if we assume that this table here is the hospital, you are going to provide very thick concrete shear walls from the top to the bottom of the building. These walls go down to a foundation. Now you can imagine if you want to drive piles in your basement, how difficult it would be, maybe impossible. You have to do it in this case so that the new piles can replace the piles of the existing facility in bending.

Now, in addition to these we have to reinforce the slabs because the slabs cannot take the seismic force. You have to connect these two structures to work together, because one structure is deficient, and the other is very strong. If you don't connect them together, then you are going to cause a lot of damage to the existing structure. So doing all these things, you are going to end up with a second rate building, which is going to be still on the bottom of a volcanic crater.

Mr. COLEMAN. That basically was the final question I had with respect to doing that. Now, if you use the same location that you are suggesting that you would just have to, it would be better off economically, structurally, you are going to use the same location, build another building next to the one sitting there if you had the space?

Mr. YACHNIS. Not exactly. I have the element of volcanic activities over there. Volcanic activity is a reality which is under the earth and is going to work. In fact, I had an experience myself just staying in the hotel one night at 10 o'clock. This big noise came along and I jumped about a few inches, jumped up, and I never forget that experience. So, you have that activity there. I plead that you place the earthquake safety first, in your decision so we do not end up in an accident like Challenger, and that you authorize the appropriation of funds so that we can get out of that crater, go to the new site, and build the facilities according to the U.S. codes and according to the U.S. seismic design criteria so we can survive from the earthquake and get out of these agonizing tremors which exist over there.

Mr. COLEMAN. Let me just ask one other question. That was part of our thinking in the committee work. They said if there was a study published in December of 1985, by what they call volcanology experts in Naples University and Mt. Vesuvius Observatory that suggested that the current location is safer than other areas in the Naples region in terms of significant seismic activity.

Mr. YACHNIS. I have heard about the report, I have never seen the report. Whatever the report says, may be a conjecture or theory. The fact remains that in 1980 we had a 6.5 earthquake 50 miles from the site. We analyzed the buildings, we found that the buildings behaved as we predicted, suffered damage, and the saturated aluvium deposits didn't attenuate the seismic waves.

Mr. HEFNER. When had that report of 6.5, what did it register where we are now, where we are thinking about going?

Mr. **Yachnis**. Sir, during the 6.5 event recording, stations did not exist at the two sites. We estimated the maximum ground accelerations for the 6.5 event as .08 g for Agnano and .079 g for Capua.

Mr. **Hefner**. What was it at the site. You say it is 50 miles, what was it at the site where we are proposing to go?

Mr. **Yachnis**. We estimated the maximum ground acceleration as .07 g. Again, I visited the new site, and I was not allowed to go in the buildings to check the buildings, but the surrounding buildings in the new site did not have the damage which I have seen in Pozuoli and Agnano.

Mr. **Hefner**. Could I ask a question? The hospital was built in is it '64?

Mr. **Yachnis**. Yes sir, '64.

Mr. **Hefner**. We knew a good deal about earthquakes 20 years ago. Was there something in that construction taking into consideration the potential earthquake threat. Did we build in some safeguards in the hospital?

Admiral **Jones**. It was a lease construction. it was not built by U.S. Navy, it was built for us, not built by us I don't know what transpired in those negotiations 20 years ago, in 1963 when that lease was signed for the hospital, school, and administrative building.

The fact is the hospital is not designed to seismic code and it is a dangerous structure. In order to minimize the personnel in the hospital today, the top three floors of the hospital, which were dependent oriented, for dependent dental care and outpatient treatment, have been vacated.

Mr. **Hefner**. How long have we been at this facility?

Admiral **Jones**. The major leases were signed in 1963. At that time, there were three or four buildings and three leases I believe. Today there are 23 leases and 60 odd structures. We have been growing and expanding in that compound over the years.

Mr. **Hefner**. I know I accuse you guys of this all the time. That building can't be as bad as these slides that you showed us.

Admiral **Jones**. I have been there.

Mr. **Hefner**. I haven't been there. If all this building is as bad as these slides that you showed us——

Admiral **Jones**. What Dr. Yachnis has showed you on the slides are representative of the kinds of structural damage and some of it is interior partitions. I don't call that structural damage, that just is interior partitions crumbling and flaking, but things he has showed you on slides are representative of the kinds of structural damage that are taking place on those facilities. I have seen it, Dr. Yachnis has seen it. I suspect he may have taken the pictures, I am not sure.

Mr. **Bader**. Has it been made clear to the committee there are two different types of threats that are faced at the present location, and it is diminished in the new location?

Admiral **Jones**. At the new site there is no threat at the time of volcanic tremors or eruptions and as Dr. Yachnis points out at the new site the acceleration in terms of gravity that we would be designing to, would be essentially the same as if you were designing those structures new at Agnano. To the structural engineer, the earthquake that he is going to be designing for, would be essentially the same and we can design safe facilities at the new site. We cannot, in my view, physically, as Dr. Yachnis described, ever overcome the bad situation we have with the existing structures. They are not safe and they are not physically possible to be made safe.

Mr. **Coleman**. Just from the photographs that I saw and the structural problem, about trying to repair the current ones is not I don't think the issue that the committee right now is concerned with. Right now it is concerned with whether or not what you said in your last statement wouldn't be the better alternative. That is new buildings at the present site, whether or not that is not just as safe as new buildings at the proposed site. I wonder if I could get that part of it, that particular question answered as best as you can now?

I will tell you what the problem is going to be. This committee is going to be asked at some point, I am sure, to vote on the transfer move versus the issue of staying there and building new buildings.

Mr. **Edwards**. Would you yield?

Mr. **Coleman**. I wanted to be absolutely certain we are not going to be making a mistake that caused the loss of the life of servicemen and women in this region. That is the biggest concern.

Mr. **Edwards**. It seems to me you have raised a couple of points that the answers were not quite satisfactory. The report you are talking about, that was done by the University of Naples, is that right?

Mr. **Coleman**. Yes.

Mr. **Edwards**. I find it rather amazing that you are here actually at this point asking us to approve going ahead appropriating money for this when your experts have not read that report and cannot tell us the answer to the more significant question—that last large earthquake, what was the seismic activity at the new site compared to the current site? I find those two—especially the second one—just amazing omissions in the preparations for this decision.

Admiral **Jones**. I don't know what the Richter scale was for that 1980 earthquake at Capua. As best as I can tell, there was no monitoring devise there, no way to know what that was. It is just impossible to determine today what that might be.

The fact remains there was an earthquake on the fault, which is closer to the measure of 6.5 on the Richter scale, but we could easily design for the acceleration that we would face at the new site.

With regard to this new so-called report. It showed up here in town in the past week and until this past week, I was not aware of it. I became aware of it through a meeting with a law firm, a Washington law firm who is representing the lessors when they met with Vice Admiral Tom Hughes, my boss in the Pentagon. The firm volunteered to give us a copy of this report to look at, and I am waiting for it.

I understand Mr. Marinelli has a copy. I will get a copy from him this morning when the hearing is over, but we have not yet had an opportunity to look at it.

Could I make a summary of a couple of points and see if that answers——

Mr. **Hefner**. Yes.

Doctor, is your report 1984?

Admiral JONES. Yes sir.

Mr. HEFNER. The geological community still conjectures that the tremors will not exceed the magnitude of 5.0 on the Richter scale. The largest tremor experienced to date has been a magnitude of 4.2. Major damage is not expected under the current condition.

Mr. YACHNIS. Yes, this is for volcanic as distinguished from tectonic. We are talking about volcanic earthquake, the maximum is 5, which is reasonable. Even with 5 we analyzed our structures, and they are deficient. The structures have not been designed for earthquakes.

Admiral JONES. I would say, in summary, that we are facing two threats in the Agnano, volcanic threats as well as tectonic threats. We are only facing one threat at Capua from a seismic viewpoint and we can design to that.

The points that have not been made, that I think still need to be made with regard to our move, and these were generally summarized in the Naples complex overview study that emerged early on.

We have a very severe problem with physical security at Agnano site. We are down in a crater, the high ground is open to anybody, impossible to secure, privately owned. There are adjacent structures higher than our structures looking down inside the compound. It is a very difficult place to provide adequate security.

We do not have anything like the 100 foot offset we would like to now have, and normally would expect, to give you a decent perimeter security.

We can achieve that at the new site. The new site is being provided by the Italian Government—250 acres, current site is 100 acres. There is some adjacent land, perhaps 25 acres we understand could be made available. That is still not enough. We are crowded, it is congested, it is operationally not the facility that we need, and we can much better improve our command and control and communications for units of the 6th Fleet if we could locate the fleet staffs with the communicators that are now in Bagnoli. Part of the project is to move out of Bagnoli as well, so this is a well thought out, carefully considered move. It is not being done because of high lease costs, in fact that is the last of our considerations. We will have some lease cost avoidances but it is not a payback type project. We are moving out of there primarily because we have a life threatening situation for our people. It is unsafe, we are convinced that it is unsafe, we are convinced we ought to move.

Mr. COLEMAN. Do you have a comparison of the cost if you did the rebuilding at the current location as opposed to the move and new facilities? Are they about the same or are they going to——

Admiral JONES. There is not enough room at the existing location, sir, to begin with. We need the larger site. We can't get the facilities in the 100 acre site, perimeter security is not good, and access to the site is very congested.

Mr. HEFNER. If we went to the new site, what would you do with the existing site, what would you do with the existing site, would it be completely abandoned?

Admiral JONES. Yes sir. The Agnano complex, that 100 acres we are leasing we would completely move out of it.

Mr. HEFNER. What is the total cost that you estimate this will be?

Admiral JONES. Two hundred twenty-six million, but that includes $34 million of nonappropriated funds.

Mr. HEFNER. Now you are saying $226 million. The dollar is down 33 percent, don't you think that you are low balling us on this project?

Admiral JONES. No sir, I don't think so. We made our original and very preliminary statements last year. We didn't have a master plan, we now do. We didn't have 35 percent design on the hospital and on the communications facility. We now do. We have a very good handle on the costs and, Mr. Chairman, you know we wouldn't low ball you on something like this.

Mr. HEFNER. I qualified it, I said intentionally. I gave you an out.

Admiral JONES. No sir.

Mr. HEFNER. This is like we told the folks the other day, who want to build a new annex at the Pentagon, this is not a good time.

Admiral JONES. No sir, I know it isn't, but it is a very, very important project for the Navy and principally because of the life safety.

Mr. HEFNER. We would like for you to answer for the record the other study on the seismic activity for the record.

Admiral JONES. We would be glad to to that.

[The information follows:]

NAVY COMMENTS ON NAPLES UNIVERSITY PAPERS

1. Technical Paper entitled "New Connections Between Thermofluid-Dynamics and Geodynamics in the Phlegraean Fields (Naples)" written by A. Oliveri Del Castillo, Department of Geophysics and Volcanology, Naples University and S. Montagna, Vesurius Observatory (Naples).

This paper was prepared to be presented at the Annual Convention of Geophysics of the Lithosphere in Rome, December 1984.

In the summary the writers state that this is a hypothesis by which they attempt to explain the cause of the uplift and tremors in the Phlegraean Fields. They further admit that the majority of researchers disagree with their hypothesis and believe that the uplift is determined by the thrust of an expanding magmatic mass. The mechansim causing the uplift and tremors has not been determined with certainty. The above and other theories are still debated by the scientific community. They will remain hypotheses for a long period of time.

2. A letter dated 24 December 1985, signed by Prof. A. Oliveri Del Castillo of the Department of Geophysics and Volcanology, Naples University, with subject "Considerations on the Seismic and the Volcanic Risk in the Phlegraean Fields and in the Province of Caserta."

On page 2 of this letter he claims that coastal areas composed of thick layers of alluvial deposits with a *low rigidity* have the capability of absorbing seismic waves. With respect to this type of deposits, Dr. David Hill, our geology consultant from the U.S. Geological Survey, stated that "when the rigidity of alluvial deposits is low the displacement amplitude of the seismic waves is *high* with respect to bed rock." In fact, thick layers of saturated alluvial deposits have demonstrated that seismic waves propagate through the deposits very well. Dr. Hills' observations have been demonstrated by actual tests in the Imperial Valley, Southern California, and Central Valley, California. In general, he said that in "California the areas which are composed of saturated alluvial deposits are *very dangerous* during earthquakes." Heavy damage in the Mexico City, Mexico, recent tectonic earthquake occurred in an area underlaid by saturated alluvial deposits and volcanic tufa.

On page 5 of the same letter Prof. A. Oliveri Del Castillo claims that the maximum level of ground acceleration due to volcanic tremors at Agnano is 0.07g, which shows strong attenuation.

We have actually recorded ground accelerations due to volcanic tremors at Agnano which exceed 0.2g.

Mr. **Hefner.** Mr. Bader, you indicated last year that Federal Government was looking for other facilities in order to vacate the Naples area. How has the Federal Government progressed with their relocation plans?

Admiral **Jones.** It is my understanding, Mr. Chairman, that they have not progressed on that project.

Mr. **Loveland.** I think it is fair to say that we did indeed in the military budget area, the O&M area, look at particularly the costs of maintaining the AVSOUTH headquarters in Naples. We have heard nothing about seismic activity. These are buildings that are prewar buildings, apparently much more structurally sound. The big problem was that the landlord was getting a little greedy and that the question was one of cost—could we build somewhere else or lease somewhere else and avoid the escalating cost of the current facility?

Now, I think probably the negotiations with the current landlord and the threat of moving have helped reduce the cost. In any case, I have heard nothing more of Federal Government moving its facility.

Mr. **Hefner.** So they are not as concerned about safety as the Navy?

Mr. **Loveland.** Well, they are not built in the middle of a volcano, sir, nor are they getting this kind of structural damage.

Mr. **Hefner.** How far away are they?

Mr. **Loveland.** Quite considerably away. They are not close to it.

Admiral **Jones.** They are not very far away, just a matter of a couple or three miles. I have been in that compound as well. Their buildings are substantial pre-World War II structures. In my view—I have been in those in that compound within the last 16 months—they are not subjected to the same kind of danger that you saw in the slides presented by Dr. Yachnis.

Furthermore, they are three story max, as I recall. The hospital is seven stories; our administrative and communications, command and control building in the Agnano complex is seven stories. I would point out the British recognize there is a problem and have moved their children out of the school. That was in that compound. So they are concerned. We are not the only nation that is concerned with the seismic problems in the area.

Mr. **Hefner.** What problems would we have if this project—playing the devil's advocate—if this project were deferred. What problems would we have? Has the Italian government already gone out and acquired this land.

Admiral **Jones.** They are well down the road to completing negotiations, sir, and we have been assured by the Ministry of Defense—I think that is correct, am I right, Mr. Bader?

Mr. **Bader.** Yes sir.

Admiral **Jones.** That is the agency—that we will have access to, they will own the land so that we can execute our fiscal year 1987 infrastructure project.

Mr. **Bader.** That is the plan.

Admiral **Jones.** We have their assurances that they will own the land so that we can——

Mr. **Hefner.** This would be a long term lease or what?

Admiral **Jones**. No sir, this would be land that will be owned in fee by the Government of Italy and made available to us for our exclusive use.

Mr. **Hefner**. In perpetuity or what?

Admiral **Jones**. Yes sir, that is my understanding.

Mr. **Bader**. Perpetuity I think is a little extension of reality, Mr. Chairman.

Mr. **Hefner**. I understand that. We had, if you remember when we were talking about trying to get some agreements for property when we were going to build a base in Ras Banas. We talked about how much access we had to it, hotels would have access, housing. I think these are some of the things we need to know because you are in a pretty volatile part of the world there and you are dealing with some folks that have had some, to say the least, some very fragile governments.

Mr. **Bader**. I think since—is it 1979—though, Mr. Chairman, the Italian Government has been relatively stable. Yes, of course, historically that is true. Any agreement we reached with the Italian Government on the length of our tenure would probably be a function of, as it is with most other governments, mutual agreement.

Mr. **Coleman**. We had talked about land available in the 100 acres. There is not land available that could be acquired?

Admiral **Jones**. I understand there is some perhaps 25 acres available that could be acquired. Mr. Coleman, that still wouldn't be enough.

Mr. **Coleman** [now presiding]. Thank you.

[Clerk's note: The following questions were submitted by Mr. Hefner:]

RELOCATION OF FACILITIES AT NAPLES—PROGRAM COSTS

Question. Last year, the Navy stated that the total military construction costs for relocation of the Naval Support Complex at Naples would be about $200 million. What is the latest estimate of cost considering the dramatic change in the exchange rate?

Answer. In March 1985, the Navy briefed the committee staff on the Naples Complex Overview and estimated approximately $200 million for MILCON. Since a formal master plan study did not begin until May 1985 to establish relocation facility requirements, Non-Appropriated Fund requirements were not mentioned. The NAF costs are now estimated to be $34 million of the current total cost of $227 million for Naples relocation construction based on an advance Master Plan study submission during September 1985. The overall Agnano relocation includes Navy, DODDS, DOD Health Affairs, Non-Appropriated Fund and Family Housing (Flag Quarters) facility requirements.

Question. How can you justify such a small change in total cost when the dollar has dropped in value by 33 percent since the time of your study?

Answer. The Navy's Preliminary estimate for construction cost identified in the Naval Complex Overview was based on an exchange rate of 1686 lira/dollar. The current exchange rate is approximate 1540 lira/dollar; therefore, the 8.6 percent difference in exchange rate is justifiably a small change in total cost when compared to the study for the total MILCON relocation costs.

Question. What is the Navy's current estimate of total relocation costs including those costs other than military construction?

Answer. The following are preliminary estimates of total relocation costs, including those other than military construction:

NAVAL Support activity (MILCON)	142,100,000
Family Housing (Construction)	1,500,000
Non-Appropriated Fund (Construction)	34,100,000
Facility Start Up	76,640
Industrial Plant Equipment	5,953,610
Telephones	6,459,560
Relocation (existing items)	306,910
C³I Equipment	
(Replacement)	35,700,000
(New)	14,000,000
Total	240,196,720
DODD School (Construction)	19,600,000
Relocation (Faculty)	87,500
Facility Start Up (telephones and furniture relocation)	333,600
Total	20,021,100
Dod Naval Hospital (Construction)	29,300,000
Lease Termination	300,000
Relocation (existing items)	50,000
Telephones	50,000
Equipment outfiting	1,800,000
Total	31,500,000
Grand Total	291,717,820

RELOCATION OF FACILITIES AT NAPLES—LEASE COSTS

Question. Our understanding is that the majority of the leases for the Agnano complex are paid in U.S. dollars and hold inflation increases to less than six percent per year over their terms. Is that true? If so, how does the Navy justify the use of a 12 percent inflation rate in their economic analysis?

Answer. There are currently 23 leases for the Agnano compound. 17 are paid in Italian lire and six are paid in U.S. dollars. However the six leases paid in dollars accounted for 79 percent of the total lease value. The 12 percent inflation rate is based on recent historical records for these leases. Since FY 1982 lease costs have increased in excess of 12 percent every year.

Question. Our understanding is that lease costs have been fixed for 10–20 years and that recently renewed leases were negotiated at fixed prices for five years with an inflation rate of six percent or less. Again, how does this reconcile with the Navy's projected 12 percent rate?

Answer. Leases run for a maximum of five years by law. Total lease costs for Agnano have risen steadily for the past several years.

Fiscal year:	
1982	$2,082,317
1983	2,448,060
1984	2,815,686
1985	3,201,425

12 percent is not an unreasonable rate.

Question. Our understanding is that the actual average rental is four dollars and fifteen cents per square foot while the Navy estimates six dollar per square foot in the analysis. How do you reconcile the difference?

Answer. Today we lease approximately 872,000 square foot at a cost of $3,201,425 in FY 1985. This equates to approximately four dollars per square foot. The six dollars per square foot in the study was the projected rate for FY 1986 and may in fact be slightly overestimated.

RELOCATION OF SUPPORT COMPLEX AT NAPLES—ECONOMIC ANALYSIS

Question. Your economic analysis and total costs for the relocation of the Naples Complex was based on a dollar exchange of 3210 lire to the dollar. Recent rates are now around 1540 to the dollar which is a 33 percent drop. Does this invalidate much of your economic analysis?

Answer. Our study used an exchange rate of 2310 lire/dollar to project lease costs out 30 years. The rate used to estimate construction costs for FY 1987 and 1988 was just over 1600 lire/dollar. Since 79 percent of all lease costs are paid in dollars and the exchange rates used for new construction costs are in line with current rates, we feel that the rate of exchange used in the study is still valid.

Question. Has the Navy revised its economic comparisons to reflect this dramatic change and if so, what is the result?

Answer. Although we are not attempting to justify the Naples relocation on economics, we feel that the analysis is valid and revisions are not necessary.

Question. In its economic study of the upgrade of the Naples Complex the Navy uses an inflation rate of eight percent for U.S. dollars. This does not reflect the current inflation rate or any projected by the U.S. government. Could you explain why this rate is so inordinately high?

Answer. The projected average inflation rate of eight percent used in the economic analysis of lease vs. construction for the Naples complex was based on the United States Bureau of Labor Statistics data tabulated below. The average annual rate of increase in the Consumer Price Index (CPI) for all Urban Consumers from January 1973 to September 1984 (11 years, nine months) is 7.97 percent per year, which was rounded to eight percent. Attachment A to OMB Circular A-104 instructs that the estimated average rate of future United States inflation used in economic analyses be based on the average compound rate of increase for "n" years of historical CIP data. In our analysis we had historical CPI data from January 1973 to September 1984. It is important to rule that any assumed average United States inflation rate projection for the next 30 years is, at best, and educated guess.

CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS (CPI-U),
U.S. CITY AVERAGE

U.S. BUREAU OF LABOR STATISTICS
PHILADELPHIA REGIONAL OFFICE
P.O. BOX 13309
PHILADELPHIA, PENNSYLVANIA 19101
TELEPHONE: (215) 596-1154

TABLE 1. All items index (1967=100)

	JAN	FEB	MAR	APR	MAY	JUN	JULY	AUG	SEPT	OCT	NOV	DEC
1973	127.7	128.6	129.8	130.7	131.5	132.4	132.7	135.1	135.5	136.6	137.6	138.5
1974	139.7	141.5	143.1	143.9	145.5	146.9	148.0	149.9	151.7	153.0	154.3	155.4
1975	156.1	157.2	157.8	158.6	159.3	160.6	162.3	162.8	163.6	164.6	165.6	166.3
1976	166.7	167.1	167.5	168.2	169.2	170.1	171.1	171.9	172.6	173.3	173.8	174.3
1977	175.3	177.1	178.2	179.6	180.6	181.8	182.6	183.3	184.0	184.5	185.4	186.1
1978	187.2	188.4	189.8	191.5	193.3	195.3	196.7	197.8	199.3	200.9	202.0	202.9
1979	204.7	207.1	209.1	211.5	214.1	216.6	218.9	221.1	223.4	225.4	227.5	229.9
1980	233.2	236.4	239.8	242.5	244.9	247.6	247.8	249.4	251.7	253.9	256.2	258.4
1981	260.5	263.2	265.1	266.8	269.0	271.3	274.4	276.5	279.3	279.3	280.7	281.5
1982	282.5	283.4	283.1	284.3	287.1	290.6	292.2	292.8	293.3	294.1	293.6	292.4
1983	293.1	293.2	293.4	295.5	297.1	298.1	299.3	300.3	301.8	302.6	303.1	303.5
1984	305.2	306.6	307.3	308.8	309.7	310.7	311.7	313.0	314.5			

Question. If the inflation rate were lowered what would be the impact on the economic analysis? Would the conclusions of the study be altered?

Answer. A lower assumed United States inflation (discount) rate would raise the Net Present Value (NPV) of the lease alternative. The difference in using eight percent vs. four percent for projected United States inflation, using an assumed annual level payment of $1 per year over a 30 year period, would be as follows:

	NPV ($1/Year—30 Years)
Assumed United States Inflation:	
Four percent	$7.22
Eight percent	$5.57

Delta Change = 30 percent.

More important than the above, changes in the assumptions of one alternative also are applicable to the other alternative. Thus while changes in assumed United States inflation, or for that matter changes in any of the assumptions of the analysis, will affect the NPV of that particular alternative, they are relatively insignificant in that they also change in the NPV of the opposing alternative.

Notwithstanding the sensitivity of economic analysis, either for lease or MILCON options, to changes in inflation (discount) rates, conclusion remains that relocation from Agnano is justified by vulnerability to seismic and security threats.

Question. The total life cycle cost comparisons for the alternative of staying at Agnano and going to Cupua are almost the same and apparently differ by no more than three or four percent. There doesn't seem to be much of an economic advantage to going to Cupua. Could you comment on this and explain why there is so little difference?

Answer. You are absolutely correct in saying that there is little economic advantage in moving to Capua. We are not attempting to justify this move on economics. Siesmic activity, security, and mission capability are the key issues.

Question. The principal component of the cost of staying at Agnano is the cost of leasing which is spiraling upwards. Considering the Navy's apparent willingness to move to other facilities in view of growing cost could this not be used as leverage in negotiating the leases in order to bring the cost of leasing down?

Answer. Although lease costs are increasing every year, we have always been able to negotiate leases based on fair market value in the community. Increases in recent years are justified by inflation and real estate market conditions in the Naples area. Since expiration of the 23 leases is staggered and the maximum term is five years, any leverage gained is partial and temporary. Since we are not stressing the economics of the Naples relocation as justification, a temporary reduction in lease costs would not alter our decision. The Seismic threat, security problems and mission capability remain the prime concerns.

RELOCATION OF SUPPORT COMPLEX AT NAPLES—SEISMIC PROBLEM

Question. One of the main reasons for the Navy's request to relocate from the facilities at Naples has to do with current seismic activity. According to the Navy's own seismic study, it states that "major damage is not expected under current conditions." The Navy's report also states "In the short term, assuming current seismic activity and active monitoring and repair programs the risk of damage is small." What is the Navy's assessment today? Do you or don't you anticipate major seismic activity that will result in serious damage?

Answer. Our assessment today is the same as in the October 1984 report. Major seismic activity is expected and will result in serious damage in Agnano which will be followed by a brittle, sudden and catastrophic failure of the structures. Volcanic activity—uplift and tremors—will resume and in the long term eruption in the Phlagraean Fields will occur.

These conclusions are based on our structural evaluation, and on the evaluation by authorities in seismology, volcanolgy and geology such as: Dr. David Hill, Geologist, U.S. Geological Survey; Dr. Dan Dzurisin, Volcanologist, U.S. Geological Survey; Dr. John Dvorak, Volcanologist, U.S. Geological Survey, U.S. Representative of the Agency for International Development (AID), Naples, Italy; Prof. Franco Barberi, University of Pisa, Head National Coordinating Group for Volcano Surveillance in Italy; Dr. Giuseppe Luango, University of Naples, Director of Vesuvius Volcano Observatory, Responsible for Monitoring the Phlagraean Fields, as well as, personnel from the Naval Civil Engineering Laboratory, Port Hueneme, Cal.

Question. Has the landlord offered to upgrade the facilities for seismic activity? If so, why wouldn't this be satisfactory to the Navy?

Answer. As are as we know, the landlord had not offered to upgrade the complex at his expense. Through his agent, the landlord has stated that the facilities could be upgraded to resist a magnitude 5.5 (volcanic) acitivity. This demonstrates the landlord's misunderstanding of the scope of the problem and the nature of the deficiencies in the existing buildings. A tectonic event and not volcanic tremors governs earthquake requirements for Agnano. To put these buildings in such condition that they would substantially conform to the requirements of the applicable U.S. tri-service manuals for seismic design, in accordance with our site response spectra for Agnano, would be very difficult and extremely expensive. The result of upgrading them would be a second rate complex of buildings located at the bottom of a crater.

The upgrading proposed by the landlord would do nothing to relieve the threat or eruption or mitigate the consequences of a large tectonic earthquake.

Question. Is it true that Navy is already upgrading existing buildings for seismic activities so that facilities will be able to withstand tremors of 5.5 Richter?

Answer. We are undertaking such expedient upgrading as can be accomplished quickly and with low cost in order to make these hazardous buildings a little safer for a short term occupancy. The repairs are not intended to strengthen the buildings to resist 5.5 Richter volcanic tremors or for prolonged exposure to lesser volcanic tremors.

Question. Could the existing facilities be adequately upgraded to withstand tremors up to 5.0 on the Richter scale.

Answer. Yes. However, the governing threat is not the magnitude 5 Richter volcanic tremors but tectonic earthquakes. Adequate upgrading would be difficult and extremely costly. The upgrading proposed by the landlord would do nothing to relieve the threat of eruption or mitigate the consequences of a larte tectonic earthquake.

Question. With seismic upgrade, would there be the kind of damage that could be a threat to the safety of our personnel?

Answer. Yes. The upgrading proposed by the landlord is inadequate to deal with eruption or tectonic earthquakes.

Question. Has any of our personnel been injured by past seismic activities?

Answer. Any injuries apparently have been of a minor nature and we do not have any details. However, there has been a number of instances of damage that could have caused serious injuries. These include damage to walls, partitions, ceilings, parapets, and facts which resulted in heavy pieces of materials falling. Some incidents include:

1. On 4 October 1983 a series of severe tremors, up to magnitude 4.2 on the Richter scale occurred in its Agnano/Bagnoli/Pozzuoli area. Four sets of Navy leased flag quarters were severely damaged with immediate evacuation and lease termination. Refugees from the damaged Pozzuoli area broke into several of Navy leased quarters to establish residency while the Navy families were on duty, at

work and in schools. Italian Civil Authorities were required to evict the regugees and restore Navy occupancy.

As a result of continuing minor tremor activity, at that time, the British contingent at AFSOUTH evacuated all families from the Agnano/Bagnoli/Pozzuoli area and relocated their dependent schools.

2. On 8 December 1984 a magnitude 3.8 on the Richter scale occurred at 9:30 PM. With 150 people in the theater, speakers and acoustical panels were dislodged and fell on the edge of the stage and in the aisles. Pieces of marble facia fell from the exterior face of the Command and Control building.

3. A tremor severely cracked an unreinforced concrete masonry partition around one of the high school stair wells. The partition was in a position to fall on the stairs and had to be removed.

4. Panic caused by tremors resulted in an NSA employee falling down and being trampled by others attempting to leave the building.

Question. According to a study published by the University of Naples, Department of Geophysics and Volcanology, the greatest danger to the region around Naples does not come from the volcanic seismic activity but rather from the tectonic fault that is to the east. This tectonic fault has produced very severe damage in the past while in the Agnano Naples area the volcanic seismic activity has produced readings of no more than four on the Richter scale as based on readings. The report further states that inland regions are particularly vulnerable while coastal regions, such as the area around Agnano, have been protected by the spongy and water filled volcanic rock. This apparently helps absorb the shocks of the inland tectonic fault. Is the Navy familiar with this report? What is the Navy's reaction to the conclusion that more severe shocks would be expected to occur to the east?

Answer. We are familiar with a technical paper entitled "New Connections between Thermofluid Dynamics and Geodynamics in the Phlagraean Fields (Naples), by A. Olivery Del Castillo and S. Montagna who are both with the University of Naples. The authors presented the following "hypothesis" on the causes of uplift and tremors: "Bradyseismic Phenomenon"—volcanic tremors and uplift—"*might* be due to the swelling of the surface layer, less than three Km thick, caused by the change in the fluid dynamics of the thermal waters (convection) saturating this layer." In the same paper the authors admit that "*the majority of researchers,* still tied to the volcanological tradition referring to the Mogi model, believe on this subject that the uplift is determined by the thrust of an expanding magmatic mass, positioned at a relatively low depth." The above and other theories are still debated by the scientific community. They will remain hypotheses for a long period of time.

We also have seen a letter by Professor A. Olivery Del Castillo on "Considerations on the seismic and the volcanic risk in the Phlagraean Fields and the Province of Caserta." In this letter:

1. He claims that coastal areas composed of thick layers of alluvial deposits with *low rigidity* have the capability of absorption of seismic waves.

Dr. Hill, our geology consultant from the U.S. Geological Survey, stated that "When the rigidity of alluvial deposits is low, the seismic waves are *high* with respect to bedrock."

"Actual tests, performed by the U.S. Geological Survey at the Imperial Valley, Southern California and the Central Valley, California on thick layers of saturated alluvial deposits, have demonstrated that seismic waves propagate through the deposits *very well.*"

In general, in California the areas which are composed of saturated alluvial deposits are *very dangerous* for earthquake activities.

Damage in the recent Mexico City, Mexico tectonic earthquake occurred at sites underlaid by saturated alluvial deposits and volcanic tufa.

2. He also claims that the maximum level of ground acceleration due to volcanic tremors at Agnano is 0.07g, which shows strong attenuation.

We have actually recorded ground accelerations due to volcanic tremors at Agnano which exceed 0.2g.

The major fault system bisects the Italian Peninsula in a NW-SE direction. The closest point on the fault system from Naples is approximately NE. Our seismicity studies do not indicate more severe shocks at Capua. In fact, based on the Naval Civil Engineering Laboratory seismicity studies during the November 1980 tectonic earthquake of magnitude 6.5 on the Richter scale the estimated acceleration was greater at Agnano (0.08g) than at Capua (0.07g).

Question. Provide for the record a comparative analysis of the earthquake potential of San Francisco as compared with Agnano.

Answer. We rate San Francisco as earthquake zone 4 (highest risk). Exposure at Agnano is about equivalent to the high end of our zone 3 (second highest).

Question. The report implies that the new location at Capua would be more susceptible to greater shocks than Naples. Has the Navy adequately studied the new location from a standpoint of seismic activity? If so tell us your conclusions on the seismic potential or the new site relative to Naples.

Answer. The Naval Civil Engineering Laboratory, Port Hueneme, California, has performed site seismicity studies for Agnano and Capua. It concluded that both sites are expected to experience the same intensity of tectonic ground motions and that Agnano has additional activity of a local volcanic nature. It should be noted that earthquake ground motions do not present a problem in new construction anywhere when all the design options are open and appropriate criteria are used.

Question. Your report states that the largest tremor experienced to date has been 4.2 on the Richter scale with conjectures that tremors will not exceed a magnitude of 5.0. How does this compare with seismic experience in the Capua area?

Answer. The Capua site is not subject to volcanic tremors. As per our seismicity studies both sites are expected to experience equal intensity of ground motion due to tectonic earthquakes.

In order to understand the earthquake risk at Agnano and Capua it is necessary to know the difference in characteristics between volcanic tremors and tectonic earthquakes. Structural damage depends upon the site acceleration and duration of ground motion as well as the structure's response to the motion. The volcanic tremors have produced high peak accelerations at Agnano (more than 0.2g) but the peak motion lasts only a matter of milliseconds and the disturbance duration is in the order of magnitude of 10 seconds. The total energy produced by the tremors is relatively small compared to a tectonic event. However, the volcanic tremors occur in swarms and over a period of time can produce structural deterioration. The Nov. 1980 tectonic earthquake (originating 50 miles from Agnano) is estimated to have produced only 0.08g peak acceleration at Agnano but the strong motion lasted more than a minute. The damage inflicted by this earthquake was similar to that associated with the volcanic tremors because of the long duration of the strong motion. A large tectonic earthquake originating on a part of the major fault system nearer to Agnano than the 1980 event will produce much higher ground accelerations which will cause greater damage followed by a brittle, sudden and catastrophic failure of the structures at Agnano.

RELOCATION OF ACTIVITIES AT NAPLES—GENERAL

Question. Since the new location for the complex is more than 25 miles from Naples, will this location be an inconvenience to the Navy to adequately and effectively accomplish its mission at Naples?

Answer. The proposed new location near Capua, which is approximately 27 miles from the present location in Agnano, is not inconvenient to adequately and effectively accomplish Navy's mission in Naples. On the contrary, the new site will permit the Navy to function in more secure, seismically safe and adequately sized facilities that are not available today. The integration of our command and control functions with the communications station will greatly enhance our capability to accomplish our mission. At present, the communications station is located several miles from the tactical commanders at Agnano.

Question. There is currently available land adjacent to the Agnano facilities complex. Has the Navy considered expanding or building new facilities in this area rather than relocating 25 miles away?

Answer. The Navy has considered both the availability of Naples Land adjacent to Agnano and has considered expanding or building new facilities near Agnano, rather than relocating elsewhere. Over the past several years, the Navy has studied the alternatives to leases, but most importantly is concerned about seismic activity, security, and the inefficient, overcrowded and substandard facilities that now exist. Agnano today has severe security and encroachment problems associated with urban growth within the crater. We understand that approximately 23 acres (1,000,000 SF) of additional real estate could be made available in the Agnano area. To expand in the Agnano area we would need over 100 acres to be comparable with the site at Capua. Expansion at Agnano would increased the security deficiency that already exists by spreading out even move outside the controlled area. Although new buildings could be built to seismic criteria, the existing facilities would remain susceptible to major seismic damage.

NAPLES RELOCATION—LAND ACQUISITION

Question. How was the location for the relocated complex determined? Did the Navy have other preferred sites?

Answer. The Navy requested the Italian government to provide a suitable site. The Italian government indicated that no government land was available. They agreed to let the Navy solicit proposals from the local landowners to sell their land to the Italian government for Navy use. Over 30 proposals were received and evaluated by the Navy. The Navy provided the Italian government its list of the four most acceptable sites. The 250 acre Capua site was the first choice and the Italians agreed to acquire it. The Italian government has recently advised that acquisition is almost complete and the land will be available to support FY 1987 MILCON construction.

RELOCATION OF FACILITIES AT NAPLES—INFRASTRUCTURE

Question. Has the Navy researched the infrastructure and utility needs of the new site which is a relatively undeveloped and isolated area? If so, will a power plant and utility supply lines be required?

Answer. Yes. The Navy has researched and done master planning for utilities and routes of communications in the Capua area. Advantages of the selected site include its being bordered by a major transportation artery (autostrada) and two provincial roads; commercial 150KV electrical primary line at the site; natural gas line within one kilometer of site; excellent ground water source within perimeter; rail service to Naples and Rome near site. The proposed FY 1987 project covers base development, such as connections to commercial electrical, gas and telephone networks, along with on-base distribution, base streets, central plant, grading and drainage.

Question. Will new road networks or upgrading be required?

Answer. While good major arteries and other roads exist now, some local improvements may be needed near the site. A Navy analysis of the Italian federal, provincial, and municipal road improvements program has not been possible to date, due to the sensitivity of on-going land acquisition by Italy. However, Navy will continue the dialogue and liaison with MOD Italy for complete transportation analysis consistent with the 1954 Bilateral Infrastructure Agreement, as it relates to this new base development.

[CLERK'S NOTE: This concludes Mr. Hefner's questions.]

OPPOSITION TO U.S. MILITARY CONSTRUCTION AND OPERATIONS IN GERMANY

Mr. COLEMAN. Our understanding is that the Army is apparently experiencing increased opposition from local politicians, government agencies, environmentalists and citizens in Germany. Our understanding is that opposition is most prevalent in the State of Hessen. is this true? If so, what is being done to offset widespread opposition to the Army's construction projects and the current facilities in Hessen?

Mr. BADER. General Dacey.

General **Dacey**. Sir, as I mentioned earlier, we have experienced problems in executing the program. The program essentially is executed as a Turnkey operation and previously there was not a great deal of coordination that went on with the State of Hessen prior to the time that the architectural firm was selected and design started. In anticipation of the kind of problems that we have experienced during the past two years, the Air Force, Army, USEUCOM, and the State Department have set up a committee with the German Government, to look at these problems in advance to identify ways to resolve them prior to the time we start design so we won't have similar type delays in our programs.

Mr. **Coleman**. Prevent it from spreading to other states?

General **Dacey**. It is spreading and I think we are going to deal with it in all the programs. We are trying to set up a mechanism where we can get resolution when problems are encountered, sir.

[**Clerk's note**: The following questions were submitted by Mr. Hefner:]

Question. The Congress appropriated $20 million for a multi-purpose training range at Wildflecken. Does the Army anticipate any local resistance to the operation of this training range?

Answer. There are actually two ranges involved. Range 10 (FY 84, PN 1051) and range 23. As noted in the answer to an earlier question, the noise issue seems to have had some impact on the review process for the construction project. We are optimistic that we are close to resolving the problems underlying the local resistance to range operations in Wildflecken and that we will be allowed to build and operate these ranges.

Question. What is the status of each of the following projects that are being affected by political influence or pressure?

Local Training Area Development in Lampertheim and Friedberg—Germans oppose tree-cutting, construction of the new and better ranges and extensive use of the training area.

Directional Lighting System for Sickels Army Airfield in Fulda—City opposed release of 4 square meters of land and expropriation procedures have had to be initiated.

Ranges 10 and 23 at Wildflecken Major Training Area—Strong local resistence to upgrade and use of ranges, especially for night firing exercises.

Construction of 184 Family Housing Units in Berkersheim (a suburb of Frankfurt)—Strong opposition by local politicians and citizens groups and no support from the Federal Government.

Wiesbaden Airbase Stationing—There is state and local opposition to any increase of aircraft and officials of two political parties have requested closure of the facility.

Answer. Lampertheim local training area project is in FY 87 MCA. The project was prepared as a result of U.S.-German negotiations. Hessen approved the approach to consolidate ranges at one location within the Lampertheim range. The project will require tree cutting. However, there is a trade off—the Germans will be able to reforest existing substandard ranges which will be freed up upon completion of construction. The U.S. forces will be able to use new and modern ranges which are centrally located for efficiency of operation. We have assurances from the Germans that tree cutting will be approved. Friedberg. Local training area development is in FY 88 MCA. Difficulties with obtaining approval of tree cutting are not anticipated. The existing area is located along an essentially denuded hill and is actively used for ranges which the MCA project modernize. The known problem is that Germans have complained about erosion. However, the U.S. is doing reforestation in the area. Additionally, the MCA project will contribute further to erosion control. Problems which may arise should be possible to overcome.

Fulda.—Acquisition of land at Sickles Army Airfield has been completed without having to resort to expropriation procedures. This requirement for real estate was necessitated in connection with a NATO funded project for airfield facilities.

Ranges 10 and 23. Litigation on Range 10 continues, with a preliminary hearing expected in April. At that hearing, MOD will push for a settlement that would allow construction of Range 10 to begin this summer. Range 23 is undergoing a hearing process which may be roughly equated to our environmental impact statement. We expect German approval for this FY 86 project soon after the approval for Range 10.

Berkersheim.—The Federal Ministry of Construction is preparing an area planning document that must be staffed at the federal, state, and local levels. It is subject to public hearings. When the plan is complete and approved it will dictate what may be constructed at the site where we wish to build. If the plan allows housing to be built, then we can proceed.

The primary issue in obtaining a consensus among the federal, state and local governments relates to the use of FRG owned land for construction. Although the land is presently zoned for construction, local citizens' groups have opposed the project on environmental grounds, citing their desires to rezone the land as a natural preserve. Because housing construction is not viewed as a defense related issue, the Ministry of Construction has not overruled this opposition and has directed that the plan be prepared and submitted for review by all state and local governments.

Should the approval of the plan not be received, the project will have to be moved to a new site or cancelled. We have no intention of doing the latter; however, there are no other sites presently available. We have asked federal, state, and local officials to provide an alternate site where the FRG will permit housing construction. No alternate sites have been provided to date.

We will continue to press forward and follow the laws and regulations of the FRG until we get permission to build at Berkersheim, or we are denied this permission. Every effort is being made to resolve this issue quickly, but political complexities have not allowed us to move as rapidly as we would like.

Wiesbaden Airbase Stationing.—USAREUR plans to continue to call for increased stationing of aircraft at Wiesbaden despite state and local opposition. As regards closure—alternatives were identified several years ago in coordination with the FRG. These alternate locations can be used if the FRG will provide real estate accommodations and fund facilities required.

Additionally, USAREUR has options to download and move 50 aircraft to US controlled airfields if the Germans will pay the bill and provide facilities. The Germans have not provided a decision on the alternative they prefer. A decision on the downloading is not anticipated in the near future despite the fact that the topic is a matter of continuing discussion in the joint US-FRG accommodations group meetings. Continued support of the construction program will enable the planned stationing of three attack helicopter battalions from CONUS to Wiesbaden to take place.

[CLERK'S NOTE: This concludes Mr. Hefner's questions.]

PACKAGING OF CONTRACTS IN GERMANY

Mr. COLEMAN. Last year the committee directed that both the Army and Air Force package all construction projects at a specific location overseas as a way of stimulating U.S. contractor interest in bidding the construction work. The Army has chosen the Darmstadt community in Germany for this initiative. However, the local German construction agency has apparently not agreed to this method of contracting. Can you explain to the committee the rationale for their objection and whether it has been resolved?

General DACEY. Sir, we packaged eight projects in the Darmstadt community as a single project and forwarded those to the German Government for contracting. In Germany, they contract in a different manner. They contract by trade, and the German Government agency serves, in essence, as the general contractor. They have looked at the work we have proposed and have agreed to five of the eight that are of similar type trades, and could be packaged in a single contract. We are still discussing the other three. We hope they can be resolved.

They also have small business laws similar to our own and when they go with the larger package, this presents them some procurement problems in dealing with their federal statutes. In the last year, we advertised 58 construction projects in Germany, in singles and in combinations, totaling 30 announcements in the Commerce Business Daily. There was interest from U.S. construction elements and we had 38 requests for documents that they could look at, but not one bid from a U.S. firm on that work.

So what we are working to do is package. We are trying to work with U.S. industry, but it is still difficult for U.S. industry to step in and do work in the Federal Republic of Germany.

Mr. COLEMAN. The total value of the project is about $28 million. Was that seven of approved one and Darmstadt was that about the amount?

General DACEY. I think it is $32 but $28 may be the correct number.

Mr. COLEMAN. You may be correct.

[CLERK'S NOTE. The following questions were submitted by Mr. Hefner:]

Question. Does the Army plan to hold firm with the Germans on its intention to package the seven approved projects at Darmstadt?

Answer. We believe that due to the firm nonconcurrence by high level Ministry of Defense (MOD) officials, further attempts to reverse the MOD decision will prove fruitless and may even foster ill will. The Germans have agreed to permit us to consolidate projects by kaserne. Therefore, it is our intent to package the four projects at Kelly Barracks, Darmstadt at a total programmed amount of $14.5 million, and the remaining project at Babenhausen (another sub-community of Darmstadt) with a total programmed amount of $7.955 million. We recommend that no further attempts be made to consolidate the additional projects in Germany.

Question. The list of locations to choose from in implementing this initiative also included bases in Korea. Why did the Army choose Germany over Korea?

Answer. The Army was aware that the Air Force was proposing an installation in the Pacific for construction packaging. Germany was chosen to broaden the base from which to attract U.S. firms to bid overseas.

[CLERK'S NOTE.—This concludes Mr. Hefner's questions.]

STATIONING AH-64 ATTACK HELICOPTERS AT WIESBADEN AIR BASE, GERMANY

Mr. COLEMAN. Wiesbaden Air Base has been selected to receive three AH-64 battalions and will experience a growth from 47 aircraft to 181 aircraft by 1990. We understand that continued opposition by the German community to the proposed stationing of the Apache helicopters at Wiesbaden has led to alterations of the Army's plans for conducting flight operations. Is that true?

General DACEY. Sir, we have 47 aircraft on the ground in Wiesbaden today and ten more will be delivered over the next few months. The next significant increase will be in Fiscal Year 1988 with the arrival of the first additional battalion of the three battalions that we will provide for the Fifth Corps.

In our coordination so far, we believe that we have met every requirement and that we will in fact be able to station those helicopter units at Wiesbaden upon their arrival.

Mr. COLEMAN. What was the flight operation we had to make changes in those?

General DACEY. There was one change that was made on the approach pattern because of a new housing area that had been put in, but to the best of my knowledge, that is the only change that we have made.

Mr. COLEMAN. We don't feel there is going to be any more serious effect on flying missions out of Wiesbaden, do we?

General DACEY. We do not believe there will be at this time, sir.

Mr. COLEMAN. The U.S. Air Force has substantially expanded the number of its air bases in the United Kingdom in the past five years. As the Royal Air Force has vacated bases, the Air Force has moved in. Last year the committee suggested closure of RAF Fairford and RAF Sculthorpe. RAF Fairford currently operates severely restricted flying hours. Local opposition to the base is strong. RAF Sculthorpe is a standby base in case of war. Why are these two bases left open?

General **Ellis**. As part of the study that the Air Force conducted with the Department of Defense on the closure of bases, the Air Force has determined that in a transition from peacetime to wartime the Sculthorpe munitions storage area is important to us. Fairford is the only place where we have tankers in Europe to provide the overflight type of refueling for deploying aircraft. So the transition is what we are looking for from Sculthorpe and Fairford.

Mr. **Coleman**. Is there not sufficient space at Mildenhall to accommodate the KC-135s?

General **Ellis**. That is correct, sir.

Mr. **Coleman**. So they have to be in Fairford, is that correct?

General **Ellis**. Yes sir.

[Clerk's note.—The following questions were submitted for the record by Mr. Hefner:]

Question. What is the status of the planned stationing of the AH-64 attack helicopters at the Wiesbaden Air Base?

Answer. There is no change to planned stationing of the AH-64 attack helicopters at Wiesbaden. The first battalion comes in 1988, the second 1989, and the third in 1990. The moves will be made on an austere basis until required facilities can be programmed and constructed. The first increment is included in the FY 87 budget request. We intend to program for the remaining increments in succeeding fiscal year programs.

Question. In the event strong opposition to the use of the Wiesbaden Air Base continues and a suitable airfield is not found by the Germans, what other alternatives are being explored by the Army?

Answer. None. Alternatives were identified several years ago in coordination with the FRG. These alternate locations can be used if the FRG will provide real estate accommodations and fund facilities required. Additionally, USAREUR has options to download and move 50 aircraft to U.S. airfields—if the Germans will pay the bills and provide facilities. The Germans have not provided a decision on any alternative.

Question. Why is there such a significant shortfall in available hardstands at the Wiesbaden Air Base?

Answer. Wiesbaden Air Base was developed as an Air Force installation. Air Force units contain fewer vehicles than Army units. The result is that Army units planned to be stationed at Wiesbaden in support of the attack helicopter battalion's require more vehicle hardstands. These hardstands are currently not available.

[Clerk's note.—This concludes Mr. Hefner's questions.]

PROJECTS IN GREECE

Mr. **Coleman**. In Greece, an alternative for accomplishing the support mission is being negotiated. Does the alternative involved consolidation and closing of two remote sites—Yiannista and Drama?

Mr. **Bader**. Are you talking about Greece?

Mr. **Coleman**. Yes.

General **Dacey**. I am sorry, sir, I have to submit it for the record. Neither of those names ring a bell to me.

[The information follows:]

That is correct. ———

Mr. COLEMAN. Our understanding is that the Army has delayed 16 perviously funded projects for political reasons. Can you explain why these projects are delayed and what is the current status?

General DACEY. Yes sir. The technical agreement to execute the construction by the Greek Government has been delayed. Agreement was reached early this year and signed by the representatives in Greece. It was returned back here. There were some questions raised on some of the terminology. That has been forwarded back to USEUCOM with a request that they look at these provisions with the Greek Government. We are still hopeful that we will have those agreements resolved by the end of April, sir.

Mr. COLEMAN. That is the 16 that were funded?

General DACEY. There are 17 over the three year period.

[CLERK'S NOTE: The following question was submitted by Mr. Hefner:]

Question. What is the current status of your review on closing additional sites in Greece and Turkey?

Answer. ———.

Question. What military projects are programmed for other sites ———?

Answer. No other Army sites in Greece are programmed ———.

Question. If ——— Drama site is being considered, why is the Army requesting $730,000 in fiscal year 1987 for operations building modernization at this site?

Answer. Request for MCA funds to allow modernization of Operations Building was continued because decisions concerning ——— had not been made until recently. This project can now be ———.

Question. What savings do you expect from ——— bases in Greece and Turkey?

Answer. ———.

Question. What assurances do you have that the two projects in fiscal year 1987 won't be delayed?

Answer. As stated previously; the project for modernization of the operations building at ———. We do not ——— and anticipate favorable resolution in 1986.

[CLERK'S NOTE.—This concludes Mr. Hefner's questions.]

RECOUPMENTS

Mr. COLEMAN. Mr. Lowry.

Mr. LOWRY. I have some questions for the closed session.

Was a question on recoupments asked of the panel?

Mr. HEFNER (now presiding). We are going to get into that now. According to your program, and financing schedule, you estimated an unobligated balance of $57.2 million to occur at the end of fiscal year 1987. Why are you requesting $247 million for fiscal year 1987 when you anticipate an unobligated balance of $57.2 million?

Mr. LOVELAND. Mr. Chairman, our estimate, at least my estimated requirement for fiscal year 1987 is $380 million and at least in one way of figuring, as the consequences of the lowering of the dollar I am currently calculating a deficit before the end of fiscal year 1987.

Mr. **Hefner**. This is out of date?

Mr. **Loveland**. With the falling dollar everything gets out of date every week. We have had a 20 percent drop in the value of the dollar to the IAU—Infrastructure Accounting Unit—that NATO uses.

Mr. **Hefner**. Kind of like our budget numbers, they fluctuate daily.

Mr. **Loveland**. These fluctuate with the bank rates and it is what hardheaded bankers think the difference between the franc and the dollar is.

Mr. **Hefner**. You said you anticipate $380 million?

Mr. **Loveland**. Three hundred eighty million dollars of obligation in fiscal year 1987. I see my masters in the Pentagon have made that $360 million.

Mr. **Hefner**. I have got $340.

Mr. **Loveland**. That figure is about six months old.

Mr. **Hefner**. We are still 20 off at $360.

You indicate that the drop in the dollar was 20 percent and that as a result of Gramm-Rudman-Hollings the fund has lost $20 million carryover funds. Have these two considerations been factored in your fiscal year 1987 request?

Mr. **Loveland**. When the calculations were made on what we needed for '87 last fall, we saw the drop in the dollar coming and we calculated a ten percent drop. It became more pronounced than that. It was a 20 percent drop. But I don't think even the committees had foreseen Gramm-Rudman last September, nor the effect of it. As close as I can calculate it, the combination of drop in the dollar and Gramm-Rudman has cost my program $115-$120 million.

Mr. **Hefner**. Mr. Loveland, in your statement you indicate that if the U.S. should be unable to obligate its share, the program would come to a standstill. Would you explain what you mean by a standstill?

Mr. **Loveland**. What it means is that if at any point you run out of funds to make a U.S. obligation on any project, then the project will not be authorized.

For instance, if by mischance something like the Mattingly amendment is tied onto my '87 funds, I could only use them at a rate we recoup. If recoupments were not available I would be stopping the program from advancing because every project has to be agreed to by every country, so it takes 15 nations to agree to fund a project.

Mr. **Hefner**. Have other nations at any time failed to meet their obligations at a particular point in time?

Mr. **Loveland**. Not ever.

Mr. **Hefner**. Never ever?

Mr. **Loveland**. Not ever in the life of this program.

Mr. **Hefner**. They have met their full obligation?

Mr. **Loveland**. Always.

Mr. **Hefner**. According to a report on recoupment, the U.S. is owed about $209 million for projects that have been prefinanced over the years. The committee directed that all outstanding recoupments be programmed for repayment in the next five years. Has this been done? If not, why not?

Mr. LOVELAND. It hasn't been five years yet, but we are on our schedule. We did get $23 million back in the FY 85, we are forecasting something around $25 million back this year. There have been some adjustments in those numbers and as of the time this paper was prepared, we had $170 potentially recoupable of which $25 million, the $25 million, we expect back this year, has been programmed in Slice 37, leaving $133 million to be recouped in the following four years. So we are just about on the plan.

Mr. HEFNER. You gave three years there, four and three are seven.

Mr. LOVELAND. Fiscal year 85 we got $23 million back. FY 86——

Mr. HEFNER. You got what?

Mr. LOVELAND. We are planning on $25. Fiscal year 1987, we have included $20 million in the budget.

Mr. HEFNER. You said for the next four years. That is seven.

Mr. LANOUE. I think, Mr. Chairman, that we said that in this current six year Slice group, 1985 to 1990, we expect to program all of our outstanding recoupments.

Mr. LOVELAND. That is correct.

Mr. LANOUE. What we have left to program is $133 million.

Mr. HEFNER. It will take about nine years, is that correct?

Mr. LOVELAND. No, it is——

Mr. LANOUE. A six year program, but some of it may slip into the seventh year.

Mr. LOVELAND. Including fiscal year 1987 and another three years.

Mr. HEFNER. If you get recoupment at $25 million a year that is around nine years.

Mr. LOVELAND. You are working from a number that is no longer current. You are working from $200 million. I am working from $133 million.

Mr. HEFNER. Okay. All right.

Mr. LOWRY. That covered my question on the recoupment, Mr. Chairman.

Mr. HEFNER. That is all the questions you have?

Mr. LOWRY. Yes, until we get to the closed session.

Mr. LOVELAND. We do indeed have a constant concern for getting the program to fund as much of the U.S. requirements as possible and as well fit within the philosophy of the program and within our own financial interests.

For instance, currently we have at least three large pushes going on. One is for the Army helicopters, the attack helicopters, which is coming to a head. In the next four months, we expect that we will qualify a number of those facilities.

We have the WADS, the Weapons Access Delay System, that Congress has appropriated funds to the Army to precautionary prefinance, which we expect to achieve eligibility on and we have the Air Force's nuclear vaults, which we are currently in the throes of a major push to qualify it for NATO eligibility.

We are confronted of course with a dilemma. We already have twice as many projects as we have money and by qualifying additional projects we don't make additional funds available.

Therefore, whatever we approve in as newly eligible projects is probably going to cost us some of our less urgent projects, which are already eligible. That is our view of that particular question.

[CLERK'S NOTE: The following questions were submitted by Mr. Hefner:]

Question. Last year the Air Force reported initiating efforts to obtain all necessary documentation to recoup all U.S. prefinanced military construction projects. Also documentation on O&M funded prefinancing was being sought. What progress has been made and when will the Air Force assemble this documentation and forward it to NATO recoupment?

Answer. All projects prefinanced through the military construction or operations and maintenance programs are included in NATO Slices 36-41 (FY 1985-FY 1990) for recoupment. Documentation for O&M prefinanced projects is being forwarded to HQ USAFE by each respective base. HQ USAFE will prepare and submit appropriate documentation to NATO for project recoupment as it appears in its respective Slice.

Question. Last year you anticipated recouping $30 million in fiscal year 1986. Why has it been reduced to $25 million?

Answer. Our estimate of recoupments for FY86 was $25M. A Senate initiative, however, linked our use of the FY86 appropriation to the rate at which we recouped $30M—a sum which was never possible, given the rate of programming of the relevant projects.

[CLERK'S NOTE: This concludes Mr. Hefner's questions.]

NATO SUBCONTRACTING

Mr. COLEMAN. Last year, the committee directed that changes be sought in NATO procurement regulations regarding subcontracting. This direction came as a result of instances of bid shopping. The department was to require that all companies bidding subcontract work over $1 million to a prime contractor bidding NATO work to be identified by the prime contractor and the prime contractor cannot substitute any subcontractor identified in his bid without NATO approval. Although this initiative has been referred to a NATO working group the department has responded that these changes in current procedure are not desirable. Can you expand on why they are not desirable?

Mr. LOVELAND. I think I can, but I don't know who made the statement in the department.

Mr. LANOUE. Well, let me start it off.

We took the direction of this committee and we passed it along to the U.S. mission and asked them to discuss this at the appropriate working group. We thought it was undesirable to remove the responsibility of the entire project from prime contractor if, in the case of a subcontractor, indeed there was a default. There would be considerable problems generated as to who the ultimate responsible party would be for the construction of the project if in fact the government or a NATO party had directed that a subcontractor be used in the contract.

We also pointed out in that letter that what we were doing in NATO is no different from what we are doing in the United States in that we don't require contractors to include in their bid submission who the subcontractors are. We don't feel that what we are currently doing in NATO is any different from what we are doing in the United States.

Mr. LOVELAND. I agree 100 percent that bid shopping is not an unknown procedure in the United States. A prime contractor consults whosoever he pleases while he is putting a bid together and after he gets the contract, he goes out on a Chinese auction and gets whoever can do the job at the cheapest price. That is quite common in the United States but my infrastructure man did propose this to the working group that is working on acquisition practices. The response was about equally divided between a lot of laughing and a lot of growling. There was practically no support, but we are still working on it.

Mr. COLEMAN. Thank you, Mr. Chairman.

[CLERK'S NOTE: The following questions were submitted by Mr. Hefner:]

Question. What changes to current procedures will you suggest that will protect subcontractors from "bid shopping?"

Answer. Although we are currently abiding by U.S. law and the Federal Acquisition Regulations, at the direction of this Committee, we have suggested that principal subcontractors be identified in the bids and that the winning prime contractor not be allowed to change subcontractors without a cogent reason unanimously approved by the NATO Payments and Progress Committee.

Question. When do you anticipate the results of this working group's deliberations will be made available to the Committee?

Answer. Our proposal was received with little enthusiasm by the working group. Some national representations believed that such a procedure would violate their contracting laws. Others felt that it would relieve contracts of some of their responsibility for quality work. We do not anticipate winning this debate in the near future.

Question. You have stated that in the example cited in last year's House report the U.S. firm had no legal recourse since they had not elected to execute any legal agreement with the prospective German contractor. However, in this instance the German firm refused to enter into any legal agreement with the U.S. firm precisely because there is no requirement to do so either in German law or in NATO competitive bidding procedures. The purpose of the Committee's initiative was to seek changes in NATO's procedures so this would not happen again. Is the Department willing to seek the necessary changes to NATO procedures to protect the U.S. firms attempting to secure NATO contracts in a difficult environment?

Answer. As I have mentioned, we are doing everything possible to satisfy the Committee's mandate. We repeat this year, however, that bid shopping after award of the prime contract is a very common procedure in the U.S. and abroad—and many of our Allies have grave reservations on our proposals.

[EDITOR'S NOTE: This concludes Mr. Hefner's questions.]

NATO OMBUDSMAN

Mr. HEFNER. The committee required that an ombudsman be established within the department to assist U.S. firms attempting to secure NATO work. This office has provided information to many U.S. firms attempting to do business in Europe. How successful have U.S. firms been in the past two years in obtaining NATO or U.S. funded military construction contracts?

Mr. **Lanoue**. Let me address the question of NATO infrastructure because the ombudsman is a gentleman who works in my office. He is spending a lot of time trying to get U.S. firms interested in bidding on NATO work. When we established the ombudsman there was something on the order of six companies eligible for bidding on NATO work. Now we have 53. We have advertised every project over $5 million in 1985 NATO program, which was Slice 36, in the Commerce Business Daily. Of these 53 companies, we have gotten about six that have indicated some interest in bidding on NATO funded work.

We followed up with specific projects, including the packaging of projects. We had a $28 million one in Greece and we had a $45 to $50 million package in Norway. We went to these individual companies who indicated an interest and the bottom line is that no one had enough interest to actually submit a bid.

We feel, after talking to representatives from very large construction firms that there probably is no interest in projects around $5 million. Projects closer to the $15 or $20 million range that might generate some interest, but again, even at that level, there has been virtually no interest and no bidding.

Mr. **Loveland**. I think we have had one bid submitted for an airfield in Turkey, and that was an American contractor in a deal with a local Turkish firm. They were third low. But that was the only bid I know of us having received.

The omsbudman, Mr. Harper, has put a great deal of time and effort on trying to get people to respond. They all want to see the documents but nobody wants to invest the money to make a bid in a country where he has relatively zero chance of winning. It costs them a lot of money to bid.

[Clerk's note: The following question was submitted by Mr. Hefner:]

Question. What additional steps are you planning to help U.S. firms secure NATO contracts?

Answer. We believe that we have taken every opportunity to actively persuade U.S. construction contractors to bid on NATO projects over $5 million. However, there has only been one bid and it was priced well above the low bid. Our success rate might be significantly higher if we confined our efforts to projects of a higher value, say $15–20 Million. In the meantime we continue to have a historically high rate of success in obtaining work for electronic and equipment contractors and despite all our efforts, we cannot persuade US contractors to bid on civil work projects.

NAPLES SUPPORT COMPLEX—LAND PURCHASE

Mr. **Hefner**. One other question. I think we kind of beat this Naples thing—how did we get the Italians to buy the 254 acres, was this land purchase tied to a military sales agreement?

Mr. **Bader**. Mr. Chairman, the purchase was not tied to any military sales. The Italians presently do not have plans to make a significant purchase from the United States. What we told the Italians, consistent with the authority that Congress gives to the Secretary, was that we would take account of the Italian land purchase in future requests for a waiver of nonrecurring costs. As the committee recalls, Congress gives us the authority to waive nonrecurring costs when it promotes standardization within the alliance. Consistant with that criteria, we have always asked our allies for something additional, something tangible in addition to promoting NATO standardization that would fit in that definition.

Mr. **Hefner**. So they have an understanding. Let's put it that way.

Mr. **Bader**. That we would take account of that, yes.

Mr. **Hefner**. How much, for the record, can you give more or have—you may know—how much the Italians paid for this particular parcel of land and how much potential credit they can have with us?

Mr. **Bader**. Credit is your word, Mr. Chairman.

Mr. **Hefner**. I understand, but when you say we would take into consideration, that is your word. I take that as pretty much of a commitment, it is an understanding.

Mr. **Bader**. But always the qualification was that with the Italians as well as with all our allies, consistent with U.S. law.

The amount of value of the Italian land acquisition——

Admiral **Jones**. They are still negotiating, sir. I don't know what the number is.

Mr. **Hefner**. Could I have that as soon as you can find out? At least in the ball park.

Admiral **Jones**. Yes sir.

[The information follows:]

The Italian government estimates it will pay about $9.2 million for the 254 acre Naples site.

WARTIME HOST NATION SUPPORT

Mr. **Hefner**. In 1982, the U.S. and Germany entered into an agreement where Germany is to provide U.S. forces with combat service support during crisis or war. This agreement, when consummated, was touted by the department as the ideal type of burden sharing agreement. The Germans have agreed to prefinance the Federal Government eligible construction, if the U.S. agrees to fund half of the non-Federal Government eligible facilities. Approval would result in U.S. funding $17.5 million in facilities for German reservists. Explain why the U.S. has sought this arrangement?

Mr. **Loveland**. The MOU required that the U.S. help the Germans in gaining NATO infrastructure eligibility for as much as possible for the facilities required for the support of the host nation support element of 93,000 troops. In addition, it was recognized that there would be certain facilities that would not qualify for infrastructure funding and I believe the agreement was that we would come to a later agreement on how we would share the costs between the Germans and ourselves. I think in the meantime, we are talking about a 50-50 sharing of those costs.

We are pushing to get as much eligibility as possible for these facilities. The Germans, however, being in a hurry to get the work done, are willing to prefinance the German part and the American part, if we can give them any assurances that we will come up with our 50 percent share of the part that doesn't qualify for infrastructure.

Mr. COLEMAN. In 1982 it was assumed that the only cost to the U.S. would be equipment. What priority does this program have with NATO infrastructure funds?

Mr. LOVELAND. It is already in the programming stage as the projects are developed and put forward. Therefore, it is in the top priority of infrastructure. If it was assumed that there would be only equipment costs in 1982 that was mistaken because the MOU did foresee a U.S. share in the cost of facilities if they didn't qualify for NATO funding.

Mr. COLEMAN. It was considered urgent in 1982 wasn't it, to do this?

Mr. LOVELAND. Yes, it was considered urgent to get the thing rolling. Obviously, the units have been formed, are being trained, the equipment is being procured, is being stored one way or another, but we are looking for permanent facilities of the controlled humidity type, which will keep the equipment in good order for lots of years.

Mr. COLEMAN. We are now specifying the construction requirements aren't we for——

Mr. LOVELAND. Well, the first thing that happened was we had to determine how much space was going to be needed, then how much already existed within German and U.S. assets within Germany and we are now coming to some kind of specifics on these things and there is design going on for some of the projects. We would see this going on for over the next four or five infrastructure slices before all of the facilities were constructed.

Mr. COLEMAN. Was there ever a requirement for Congress to be consulted in terms of deliberations on this agreement with the Germans?

Mr. LOVELAND. Obviously these things are always negotiated subject to the provision of the funds by the appropriations process.

Mr. COLEMAN. There wasn't a requirement to do that?

Mr. BADER. I believe, if I may, that the committee and Congress generally was briefed in 1982 by several Pentagon spokesmen, including General Groves, and Mr. Loveland is quite correct. Whether in '82 General Groves and others couldn't be specific on what the construction costs may be involved, a way was left open for that.

Again I would stress, Mr. Congressman, that we have always felt that, and continue to feel, that this program reflects the sense of Congress, as we understand it, in trying to lessen the cost of U.S. forces stationed in Europe, particularly in wartime. To be able to draw on this large number of people to support the U.S. forces we felt was consistent with what Congress wanted us to do.

[CLERK'S NOTE: The following questions were submitted by Mr. Hefner:]

WARTIME HNS—$17,500,000

Question. Why is it necessary to have the entire network of combat service support units in place immediately, as opposed to within the next six years?

Answer. The infrastructure for the bulk of the Army equipment-holding units requires either new construction or the expansion of available properties in such a way that the accommodations suit the requirements. The result of this is that complete activation of the units cannot be affected until after necessary construction has been completed. Only from that time on can the establishment of operational readiness be initiated. NATO fund constraints will delay implementation and could spread construction over at least six years. The current activation schedule reflects phased activations to be completed by CY88 (Army) and CY89 (Air Force) followed by two years of training to insure units are operationally ready. The German government has agreed to prefinance the entire infrastructure funding needed (estimated at $106M) until NATO approved funding can be provided. This offer will allow construction to begin immediately, but stipulates that the U.S. contribute 50 percent of construction funds not eligible for NATO funding. The MCA requested in the FY87 Budget reflects U.S. (USAREUR and USAFE) estimate of the U.S. share of Wartime Host Nation Support (WHNS) construction not eligible for NATO funding. Full support of the MCA request ($17.5M) in FY87 is necessary to show absolute good faith by the U.S. and send the necessary green light signal to Germany to appropriate prefinancing funds to construct facilities in time to allow them to be available as units are activated. Without this up-front commitment by the U.S., it is highly unlikley that the German government will fully support the prefinancing of construction, thus making full activation by CY89 impossible and delaying implementation of this important element of USAREUR wartime logistical sustainability until the mid 90s.

Question. Why has it taken from 1982 until 1986 to specify the construction requirements for this program, if it is so urgent?

Answer. The U.S.-GE WHNS agreement of 1982 recognized the need for construction to support the activations of the German reserve units. The agreement states that both governments will strive for extensive cost limitations by using available U.S. and German existing facilities and both governments will assign high priority to achieve assurances of funding within the NATO Infrastructure Program. To this end, a Stationing Plan and a Feasibility Study were begun in 1983 to match stationing to the force being structured. These time cosuming studies were completed in 1985 and together provided the needed specific design requirements for NATO consideration to submit the projects for NATO Infrastructure Funding.

Question. Why was this "requirement" not anticipated when the agreement was consummated in 1982?

Answer. This requirement was anticipated when the Agreement was consummated in 1982. Article 3 of the Agreement, dealing with costs, specifically states: "Both governments will strive for extensive costs limitation. For this purpose, available facilities as well as equipment will be used primarily. Should there be a shortfall in available facilities, both governments will assign high priority to achieve assurance of funding within the NATO Infrastructure Program. Lease, acquisition or construction of additional facilities not funded by NATO will be borne equitably in a manner that reflects the cost-sharing principles outlines."

[CLERK'S NOTE: This concludes Mr. Hefner's questions.]

RHEINBERG, GERMANY—PURCHASE OF FACILITY

Mr. COLEMAN. The fiscal year 1987 request for construction at Rheinberg is $35.6 million. What are your additional construction costs to make this facility fully operational?

General DACEY. Sir, I don't have an answer for you at this time. There are two things that I would offer. When we brought that proposal to Congress three years ago, and when the project was authorized, we were using a figure of $35 million to do the work. As has been mentioned earlier, we have had significant reductions in the value of the dollar since that time, we have had a couple years of inflation. We have asked Europe to look at this facility and to come back with the detailed plan and the projections of resources required to do the construction to make that a complete and usable facility. If that is within the next week, we could submit it for the record.

Mr. COLEMAN. Okay, I think whenever it is to be submitted.

General DACEY. Yes sir.

[The information follows:]

Since we last presented this to Congress, the dollar has lost value against the German mark. The dollar, with respect to the German currency, was worth approximately one-third more than it is today. In addition, two years of inflation will also cause increases in the estimated cost. A recent decision by the Army leadership has been made to hold the military construction cost of developing the Rheinberg complex to approximately $55 million. I have asked the Army in Europe to review their plans, and to insure that they are asking for only the minimum essential facilities. They are scheduled to brief me on the results of that review in early June. Following this presentation, and a final review of the cost estimates, we will present the detailed information to the committee.

[CLERK'S NOTE: The following questions were submitted by Mr. Hefner:]

Question. What effect does the Gramm-Rudman-Hollings reduction have on the Army's plan to purchase this facility? Are you going to transfer funds or request reprogramming approval?

Answer. The Gramm-Rudman-Hollings bill reduces the approved amount for purchase from $11.6 to $11.1 million. It reduces resources available to the Army but does not change plans to purchase the facility. Reprogramming of funds will probably become necessary once negotiated price is available. However, it is anticipated that reprogramming, if necessary, will be within authority of the Department of Defense.

Question. What is the current purchase price for the facility and land?

Answer. A negotiated cost is not yet available. USAREUR is pressing the German side to obtain a firm cost as soon as possible.

Question. Is the Army still continuing with efforts to seek NATO funding for this project?

Answer. Yes we are seeking NATO funds for TR-1 Storage facilities. AFCENT has supported TR-1 and we are following-up with SHAPE.

Question. General Dacey, you indicated during the Army hearing that you had directed your people in Europe to go back and scrub the program and come back with an austere plan. How can the Committee be sure the Army is recommending an austere plan?

Answer. A recent decision by the Army leadership has been made to hold the military construction cost of developing the Rheinberg complex to approximately $55 million. I have asked the Army in Europe to review their plans, and to insure that they are asking for only the minimum essential facilities. They are scheduled to brief me on the results of that review in early June. Following this presentation, and a final review of the cost estimates, we will present the detailed information to the committee.

Question. The Congress appropriated $11.6 million for the purchase of the Reichel Complex (famous rug factory). What effect does the dollar devaluation have on the purchase price?

Answer. The FY 86 MCA Program was appropriated with an exchange rate of DM 2.99/$1.00. The devaluation will cause the purchase to cost more in terms of dollars. If we assume an exchange rate of DM 2.30/$1.00; an additional $3 million would be required to cover the change in price due to devaluation.

Question. The Committee's understanding is that this project is not NATO eligible. Has the Army submitted a precautionary prefinancing statement to NATO to protect the U.S. right to recoup funds expended on this project?

Answer. A portion of the Reichel Complex (identified for TR-1 Storage Facilities) is supported by AFCENT. SHAPE support is also expected. A prefinancing statement for the purchase cost covering the TR-1 Storage has been submitted.

Question. Can you identify specific examples where costs have been reduced or programmed projects eliminated?

Answer. As indicated previously, we will provide that information upon completion of our review.

[CLERK'S NOTE: This concludes Mr. Hefner's questions.]

PERSHING II MISSILE SECURITY

Mr. COLEMAN. The conferees last year appropriated $56 million for security measures at the Pershing II missile sits in Germany and required that before any funds could be obligated, the department was to insure that (1) a prefinancing statement for all the security measures was filed with NATO and (2) NATO has noted the U.S. intention to prefinance. Would you update the subcommittee on the status of these conditions for obligating the funds?

Mr. LOVELAND. They have been met.

Mr. COLEMAN. Both conditions?

Mr. **Loveland**. The prefinancing statement was made and that entails a recognition by NATO that the expenditures are being made, yes.

Mr. **Coleman**. Of the total $73 million, how much is NATO eligible?

Mr. **Bader**. We will have to supply that for the record.

Mr. **Loveland**. Currently and without changing any criteria, the best we can estimate is something around $10 to $15 million. Now, we can indeed in this case, push for some more criteria, but a lot of what was being sought was obviously beyond the NATO criterion.

Mr. **Coleman**. Why is it that NATO doesn't come forward as quickly, can't react more quickly in providing up front funds for the NATO share on something as critical as this?

Mr. **Loveland**. Nobody has ever presented NATO with a plan of exactly what it is we wanted them to do and when they do I am sure that NATO will react reasonably quickly within the confines of a requirement for a 16 nation agreement unanimously.

Mr. **Hefner**. We don't have a plan now?

Mr. **Loveland**. I am sure they do. However, they are busily protecting their situation and presumably will get to the NATO end of it as they can.

Mr. **Bader**. General Dacey.

General **Dacey**. Sir, we have completed on each one of the sites the detailed plan for the protection. As we spoke earlier there was a problem with a NATO criteria as to what the ready status of the weapon system has to be, and then what level of protection had to be afforded to the ready systems. We could not submit anything for NATO eligibility consideration until after those decisions were made. Those decisions were made in December. We have gone in now to complete designs and determine what the costs are. We have talked with Europe. Those will be filed through USEUCOM for consideration by the Federal Government eligibility people as soon as we can get that paperwork to them.

[Clerk's note: The following questions were submitted by Mr. Hefner:]

Question. How much of the $56 million do you expect to obligate in fiscal year 1986?

Answer. The Army currently expects to obligate all of the $56 million appropriated this fiscal year.

Question. The Committee understands that the original estimate of $101 for the urgent security improvements for the Pershing sites has been reduced to $73 million thus requiring only $17 million as requested in fiscal year 1987 to complete the upgrade. Does the Army intend to hold to this total amount for the urgent requirements?

Answer. We anticipate all urgent requirements can be accommodated within the funds currently requested. Additional less urgent requirements are included in the FY 87 request ($27.9 million) and we will continue to program similar requirements in future years.

[Clerk's note: This concludes Mr. Hefner's questions.]

Mr. **Hefner**. I think we would like to clear the room of anyone who is not cleared.

HOLY LOCH, U.K.

Mr. **Lowery**. On Holy Loch, I understand there has been a study underway to change that facility from a ballistic missile submarine facility to an attack submarine facility. What is the status on that?

Admiral **Jones**. One second sir.

That decision has not been made.

Mr. **Lowery**. Is there a study underway?

Admiral **Jones**. I am not personally aware of any study underway. I know there is no decision at the moment to do that. I can find out about a study if there is one.

Mr. **Lowery**. If you would submit that for the record, along with the options are and whether we retain Holy Loch as an asset, and what rationale would be for a possible change?

[The information follows:

> There is an ongoing requirement to support nine forward deployed SSBN's at Holy Loch, using the minimum shore facilities now existing, with major capability remaining afloat in a tender and a floating drydock. Holy Loch facilities are not suitable for closure because this mission cannot be relocated.

Admiral **Jones**. Yes sir.

[**Clerk's note**: The following question was submitted by Mr. Hefner:]

Question. Does the Navy expect to retain Holy Loch as an asset?

Answer.Yes. As indicated in the DOD response to the HAC FY 1986 Report, there is an ongoing requirement to support nine forward deployed SSBN's at Holy Loch, using the minimum shore facilities now existing, with major capability remaining afloat in a tender and floating drydock. Holy Loch facilities are not suitable for closure because this mission cannot be relocated.

Executive Session

GROUND LAUNCHED CRUISE MISSILES

Mr. **Hefner**. The President's latest offer to the Soviets on strategic arms reductions included dismantling short range nuclear missiles in Europe in exchange for similar reductions on the Soviet side. How does this offer affect the initiation of construction on the sixth GLCM base in The Netherlands?

Mr. **Bader**. At the present time, it would have no direct effect, Mr. Chairman. It depends on several other things, and I think it would be premature to speculate on what may or may not transpire from that offer.

Mr. **Hefner**. What is the status of the Dutch Government's acceptance of deployment of the GLCMs?

Mr. **Bader**. The Cabinet on the first of November, 1985, endorsed the program and the Second Chamber of the Dutch Parliament on February 27th endorsed it. We would expect First Chamber endorsement probably in late March of this year.

Mr. **Hefner**. Last year considerable construction work-arounds were being planned to ———. What is the current plan regarding the IOC for the base and these work-arounds?

Mr. **Bader**. Pardon me, is that the base in The Netherlands?

Mr. **Hefner**. Yes.

Mr. **Bader**. Well, right now, the planned deployment would ———.

Mr. **Hefner**. The memorandum of understanding on the second GLCM base in the United Kingdom at Molesworth was signed in September of 1985. Specifically explain how the 4 million pound offset, offered by the British Government at the outset of negotiations on a second GLCM base, was addressed by the MOU?

Mr. **Bader**. I think, Mr. Chairman, we will have to submit that for the record. The question is the offset in the MOU that UK offered?

Mr. **Hefner**. Yes.

General **Ellis**. The British did eight hundred thousand pounds of work at Greenham Common on unaccompanied personnel housing.

Mr. **Hefner**. Is that consistent with the MOU?

Mr. **Bader**. We tried to give the committee the best expert opinion and advice we have.

General **Ellis**. It did not specify how we would use the four million pounds in the MOU. It was consistent with their contribution to the effort.

Mr. **Hefner**. Mr. Coleman.

Mr. **Coleman**. I don't have any questions, Mr. Chairman.

Mr. **Hefner**. Mr. Lowery.

[**Clerk's note**: The following question was submitted by Mr. Hefner:]

Question. How much in operations and maintenance funds does the Air Force plan to spend on existing buildings at Woensdrecht AB and why?

Answer. The Air Force does not plan to spend any operations and maintenance funds on existing buildings at Woensdrecht AB. HQ USAFE is discussing ways to satisfy U.S. short-term facility requirements with the Dutch Government so all GLCM deployments in the Netherlands can be completed by the end of calendar year 1988. The Dutch have offered use of existing buildings until permanent construction is complete. HQ USAFE is assessing the ability of proposed Dutch facilities to satisfy as many of the short-term requirements as possible. A portion of the $10,000,000 appropriated in FY 1986 for site activation may be required to modify existing Dutch facilities. Remaining funds may be used to provide permanent buildings, utilities, pavements, and roads, saving the cost of constructing short-term facilities.

PERSHING II SECURITY

Mr. **Lowery**. What is the security for the Pershing II in Germany? What is the current estimate for completing the security arrangements?

General **Dacey**. We took immediate action to provide security last year. If you remember, we asked the Congress to authorize $101 million of that in FY 86. That was accomplished. That work is either underway or completing design now. There are problems in some of those areas with the requirement to seek infrastructure funding, as pointed our earlier, on some of the tree removal which we are prohibiting from doing with U.S. dollars. It cannot be accomplished. This work is essential in order to straighten out some of the fences, and in one case, to put in operational facilities.

We are working with the Germans. If we can't get a resolution we will be back to ask for relief from that language so we can proceed with that work. We have finished the designs on the remainder of the program and instead of requiring the additional $45 million this year, as we had originally thought, it is going to be closer to $20 million, and as soon as we have those figures complete, and agreement with the German Government on construction, we will inform the committee.

Mr. LOWERY. Twenty million dollars will complete?

General DACEY. Complete the security requirements that there are still facilities requirements for people that came with it, which you told us to break out of the security package. We did. There is about another $23 million to complete that work, sir.

Mr. LOWERY. Could you elaborate for the committee on what that $20 million will go for?

General DACEY. Sir, it goes for storage facilities, for adaptation of two ammo storage facilities, for two maintenance facilities, and for one rehab of one billet where people will be stationed. Previously we did not have people stationed there.

Mr. LOWERY. How many sites?

General DACEY. I would have to get that for the record. I don't know the number of sites.

Mr. LOWERY. Supply it for the record.

General DACEY. Yes, sir.

[The information follows:]

Answer. ———.

Mr. LOWERY. The sites and the location.

General DACEY. Thank you.

Mr. LOWERY. Thank you, Mr. Chairman.

ALTERNATE LAUNCH AND RECOVERY SYSTEM

Mr. COLEMAN. I have a question to the Air Force. You say you have a program to provide alternate launch and recovery surfaces. Would you explain that for a minute?

General ELLIS. It is another place where we can land the airplanes within the confines of the existing bases which gives us an opportunity if the airfield is attacked, to launch the sorties we want to launch. We find it a relatively attractive way of providing some security to our sortie generation performance.

Mr. COLEMAN. What will be the cost of this project? It says your 12 main operating bases in Europe.

General ELLIS. The cost now looks like between $3 and $4 million per surface. It is not a full up runway, it is only 70 feet wide and 7,500 feet long. It is not designed to handle an awful lot of traffic. It will take less passes than a regular runway system. It is a lot less expensive. Multiply that number by 13, and we are looking at $35-$38 million.

Mr. COLEMAN. This is a completely separate runway?

General ELLIS. Yes it is. We try to make it parallel to existing runways, and as far away from it as we can within the real estate we have available on that base. In case of attack the opportunity for breaking them both is less.

Mr. LOWERY. The air base that you are asking for funds on in Italy, is that a type of program of recovery, primary base under attack?

General ELLIS. No, I don't think we are asking it, I think we are asking here for the extension of——

Mr. LOWERY. Go ahead, I will find it here.

The justification for that was the primary base could not be operated in time of war. Where is the primary base, where would those be brought in from?

General ELLIS. I don't know the answer to that. I will have to provide it for the record.

[The information follows:]

The primary base is ———

Mr. COLEMAN. Let me ask a followup question. I am concerned about those kinds of alternative sites. What I have seen in South Carolina, for example, there is one Air Force Base I understand at the end, I think they bed down A-10s, as I remember, that where the runways, if there is a problem, some problem at the end of the runway, they have some mechanism where at least the pilot and aircraft maybe can be stopped.

That is a total disaster. All I am woundering is, wouldn't that be a better expenditure than talking about fixing runways, wouldn't that be a better expenditure of funds than building a completely alternate system in case of attack?

I understand you are still going to stay within the confines of the property that we possess by lease or however we possess it. I am concerned about runway construction for the Air Force too, because I know it is a great expense and I am not sure we are utilizing our dollars in the best way possible, because I can compare two separate kinds of ideas in terms of dollars that seems to me like it might be advisable to do more for the safety and training missions.

General ELLIS. When you talk about the installation at the end of the runway are you talking about barriers that catch aircraft with tail hooks, et cetera?

Mr. COLEMAN. Yes sir.

General ELLIS. In a wartime scenario, on this alternate runway we would put mobile catchers. In fact, if the main runway gets damaged, we will just fix a 50 by 5,000 foot strip, wherever it happens to be, so we can land our airplanes and take off our airplanes. They will have mobile catchers. That size of runway still requires a catcher.

Mr. COLEMAN. I guess my question is in terms of the expenditure of dollars on a completely new runway, of course it is not going to be used in the way that regular runways are, in a scenario, an attack scenario, you allude to it seems to me that—I don't know what it is, that makes us think it wouldn't be a target.

General **Ellis**. It will be. It will increase survivability because the randomness of the attack on the air base and their in ability to close the base with precision munitions. It is tough to keep us closed a long time because we can fix it fast. It gives us a greater opportunity to find a 50 by 5,000 foot strip that we can get the airplanes to take off, so it becomes part of the airport system, the runway, taxiway system, and the more of them you have, the more chances you have to get those airplanes out of the hangarettes and shelters up into the air.

Mr. **Coleman**. Thank you.

[Clerk's note: The following questions were submitted by Mr. Hefner:]

Question. The Air Force has initiated a new program to provide alternate launch and recovery surfaces at each of its 12 main operating bases in Europe and at a cost of $31.1 million. NATO has recently agreed to provide all minimum essential facilities at collocated operating bases (COBs) and increase airfield survivability. Explain why these alternate surfaces are required in light of NATO's commitment to fully fund COB facilities.

Answer. The alternate launch and recovery surfaces (ALRS) improve the survivability of main operating bases (MOBs) and ability to handle in-theater forces. In contrast, COBs are primarily for reinforcing forces. While dispersal to COBs and forward operating bases (FOBs) will improve the survivability of the forces, dispersal does not affect survivability of the MOBs. We improve MOB survivability only by modifying the MOBs themselves.

One way we improve survivability is providing more areas for launch/recovery of aircraft. More areas reduce the chances of an attacking force closing the airfield, but also greatly reduces repair time to restore full operations. Conversely, when the number of redundant surfaces are few, the attacking aircraft can severely disrupt all available launch surfaces with a minimum number of passes. At an average cost of $2.6 million per base, ALRS are inexpensive relative to providing the same capability through expansion of air defenses.

Question. If these alternate surfaces are necessary for increased sortie generation of U.S. forces assigned to NATO, why are we not seeking NATO funding for them?

Answer. Currently, Alternate Launch and Recovery Surfaces (ALRS) are not eligible for NATO funding because NATO only funds a primary runway and parallel taxiway. This minimal level does not provide sufficient probability of generating enough combat sorties after an attack to accomplish the mission.

The total cost to the U.S. government would be greater if NATO accepted funding of ALRS. A lack of reduntant surfaces is a problem at the majority of NATO's air bases. Therefore, if ALRS becomes eligible for NATO funding, the U.S. will pay 28% of the entire requirement throughout NATO, much larger than the requirement for the U.S. alone.

Also, even with NATO's increased budget for the current SLICE Group, their program just buys out aircraft shelters and minimum essential facilities. NATO is unlikely to approve another major program before it buys out current initiatives.

Question. Why were Hahn AB and Zweibrucken AB, Germany chosen as the first location for these surfaces?

Answer. ———.

[CLERK'S NOTE: This concludes Mr. Hefner's questions.]

Mr. LOWERY. This is not a construction question. How do we insure that our cruise missiles and Pershings can function during extremely cold weather?

Mr. BADER. May we supply that for the record, Mr. Congressman?

Mr. HEFNER. I think we probably can give you a theory. That is all we had with NASA.

We will appreciate your supplying it for the record.

[The information follows:]

The Army has no cruise missiles, therefore, only the cold weather capability of the PRESHING II missile system will be addressed.

During the developmental process, the PERSHING II system was thoroughly tested under extreme cold conditions. In October 1982 cold temperature systems operations were conducted in a cold chamber environment. The system was subjected to ice and snow and successfully operated at −25 degrees farenheit. Between 1982 and 1984 motor sections were subjected to a series of thermal cycling tests ranging from −35 degrees farenheit to +125 degrees farenheit and also in-container drop tests at various temperatures. These same motor sections were then stabilized at between −5 degrees farenheit and −25 degrees farenheit and successfully fired in static tests. In August 1984 two pre-conditioned missiles were stabilized at −5 degrees farenheit and fired at Cape Canaveral. These missiles had been through a complete series of tests including in-container drops tests and troop handling.

A further review of the PERSHING II system cold weather capabilities was conducted in March and April 1985. This review and additional testing evaluated system modifications made due to the January 1985 PERSHING II accident in Germany. These modifications solved the electrostatic discharge problem that was the cause of the accident. These cold environment tests validated the modifications and previously done cold testing.

The Ground Launched Cruise Missile (GLCM) transporter erector launchers (TELs) are designed and produced to accept a diesel heater kit. The Air Force has procured heater kits for those TELs deploying to countries with extremely cold climates. The heater kits force hot air into the missile cavity to keep the temperature above −15° F.

RECOVERY SYSTEMS

Mr. HEFNER. One more question. This has nothing to do—how does the catcher work? I am not familiar with that.

General ELLIS. It is a cable that goed across the end of the runway at different palces on the runway. The aircraft have tail hooks that engage the cable.

Mr. HEFNER. You have to adapt that to the aircraft?

General ELLIS. All of our fighter aircraft have tail hooks now.

Mr. COLEMAN. Like trying to land on an aircraft carrier.

Mr. HEFNER. How can you bring them in? Could you bring them in faster than you could on a carrier?

General ELLIS. No, a carrier has several catchers. We are looking at between 20 and 22 an hour maximum on the existing catchers we have. I don't know what the Navy's capability is.

Mr. HEFNER. You would be limited in how much you could use them?

General **Ellis**. Yes sir.

Mr. **Coleman**. On that, that Air Force Base I was talking about, even the old asphalt, that is what it looks like out there, it would tear anything up. It is not suitable and if you can's stop it then you are talking about the civilian population at the end of it.

All I am saying in terms of expenditures of funds, and these kinds of matters, I just hope that we are setting our priorities right. We can all be extremely concerned about the threat. The Admiral said there were two threats in Naples. You forgot the third one. That is the purpose of us being there. So I would hope that we do consider this second threat to the civilian population and equipment and I am extremely concerned about it because I just saw one Air Force Base, I hadn't seen it anywhere else.

General **Ellis**. I don't know of an active runway that we own that doesn't have a catcher on it.

Mr. **Coleman**. I wish you would look at the ———.

General **Ellis**. You are talking about Northfield?

Mr. **Coleman**. No, I will get it for you. I did a report for the committee when I came back on it just because I was concerned about it.

Thank you, Mr. Chairman.

[**Clerk's note**: The following questions were submitted by Mr. Hefner:]

AVIANO AIR BASE, ITALY

Question. Aviano AB's principal mission is to accommodate the deployment of three tactical fighter squadrons at the onset of war. In anticipation of that mission, Aviano has about 1,800 military and about 500 civilians to operate and maintain the base and store and maintain war reserve materials. It also provides support to a large number of communication sites throughout Italy. One of the tactical fighter squadrons designated to deploy to Aviano in wartime is currently stationed in another European country. According to Air Force officials, the squadron would not be able to perform its wartime mission from its present location. What consideration has been (or is being) given to stationing the European-based tactical fighter squadron at Aviano Air Base?

Answer. In 1981 the Air Staff conducted a study of relocation alternatives for US Forces in the above mentioned country prior to negotiations on renewal of US bases there. This study included Aviano as a possible beddown location for one tactical fighter squadron. The base rights negotiations were favorable to the US, thus eliminating the possible need to relocate to Aviano. Aviano's peacetime mission is to be prepared to receive fighter type aircraft in a contingency or wartime environment. Currently there is no requirement, and therefore no plan to station a European-based tactical fighter squadron at Aviano in peacetime.

RESTORATION OF AMMUNITION AT PISA, ITALY

Question. In view of the potential cost savings, why hasn't the Army programmed an aummunition renovating capability at the Pisa storage area?

Answer. The Army has an ammunition maintenance facility at the Pisa storage site; however the facility does not meet the safety standards of certain hazardous disassembly type operations. It is not equipped with sprinkler systems nor with the deluge system and substantial dividing walls needed for this type rework. The Army planned to upgrade the maintenance facility to correct the conditions affecting explosive safety at the Pisa storage facility at a cost of $487,000 in FY 86. Upon completion of this program the facility would have been adequate to accomplish most limited anticipated ammunition rework. However, this does not address the explosives safety problems dealing with quantity distance violations to exposures located in the vicinity of the maintenance building. To correct these would require resiting the building to a suitable location meeting the appropriate explosive safety distance separation. The House Appropriations Committee removed $12M from the Unspecified Minor Military Construction, Army program, resulting in slipping some projects to FY 87 and lower priority projects being deleted. The Pisa storage projects was deleted because of low priority in the overall Unspecified Minor Military Construction, Army Program. However, USAREUR is considering adding this project to their regular MCA program.

Question. What would be needed in terms of facilities and funding to establish this capability at the Pisa Storage Area?

Answer. For comparison purposes a complete new standard ammunition renovation facility for the Pisa Storage Area would cost about $3.5M and consist of explosive proof type lighting fixtures, the deluge system, substantial dividing walls, and associated installed equipment. Additionally, all physical security requirements would be satisfied.

Question. What other ammunition storage areas exist that do not have the capability to restore their out-of-shelf-life ammunition?

Answer. Army facilitization generally provides for ammunition storage sites to have the capability to receive, store, maintain and issue stocks commensurate with the volume of stocks and level of activity. For sites storing limited amounts of ammunition such as ammunition prestock points and unit ammunition basic load storage sites, only limited minor maintenance would be performed and the stocks rotated to rear areas in theater if major rework is required. This precludes building costly maintenance facilities where only small amounts of ammunitions are stored and where there is a more rapid turnover of stocks. The Army is providing technical assistance to USAREUR to evaluate the maintenance capability and plans for USAREUR. This is being conducted during April 1986 and will look at the entire ammunition maintenance capability and will be used in future facilitization planning in Europe.

RUNWAY REPAIR CAPABILITY AT RAF WETHERSFIELD, UK

Question. RAF Wethersfield serves as a US Air Force deployment or standby base to which tactical fighter units would deploy in wartime. Currently, Wethersfield is the home of the 819th Civil Engineering Squadron (Heavy Repair) which has a compliment of 400 military personnel.

Although this squadron maintains Wethersfield's runway and other operational facilities in a caretaker status, its principal mission is to provide rapid runway repair of runway damage at Air Force operating bases in the United Kingdom during wartime.

Air Force planning for rapid runway repair of wartime runway damage differs among its bases in Europe. In Germany, their capability is organic to the tactical units located on the operating bases. However, in Italy the necessary vehicles and equipment for wartime runway repair at the Aviano Air Base is in storage on the base and the runway repair mission is assigned to an Air National Guard Unit.

Why do you need this large organization in the United Kingdom for wartime runway repair?

Answer. The 819th provides a nucleus of highly trained engineers that, ———.

In peacetime, base engineer operations at these MOBs are performed by the Property Services Agency (PSA), an agent of the UK government. Host nation agreements require that PSA operate and maintain the UK bases.

A small cadre of USAF engineers plan and program this work force. ———. The 819th provides an organic engineering capability which can quickly deploy, in predetermined increments, and combine with assigned military engineers for a complete ADR team to support wing operations.

Question. What consideration has been given to deactivating this squadron and assigning the wartime runway damage repair task to a Reserve or National Guard Unit?

Answer. The 819th provides the only Air Force engineering heavy repair capability in the European theater. ———. Although Air National Guard and Air Force Reserve engineer units are capable of performing this mission, their arrival in theater depends on sufficient warning, mobilization, and strategic airlift. ———. The missions assigned to the six UK main operating bases are essential to the NATO ———.

Question. What consideration has been given to collocating this rapid runway repair capability to main operating bases in the United Kingdom, as is done with Germany?

Answer. It is not practical to collocate the rapid runway repair (RRR) capability at the Main Operating Bases (MOBs) in the United Kingdom as is done in Germany. The construction and land acquisition necessary are cost prohibitive. ———. The US/UK cost sharing arrangement, dated 4 April 1973, severely limits work done by military labor. Therefore, if the technicians needed for RRR were collocated with the MOBs, their peacetime work effectiveness would be severely limited. ———.

PROPOSED CONSTRUCTION OF A WAREHOUSE FACILITY

Question. The Air Force fiscal year 1987 military construction budget contains a request for $1.2 million for the construction of a new warehouse at Zweibrucken Air Base for the storage of material and supplies that are intended for wartime use in the European Distribution System (EDS). The Congress denied an identical request in fiscal year 1986. Is there agreement that the recently leased warehouse can absorb the EDS storage requirement and that you no longer have a need for the EDS warehouse funds requested in the fiscal year 1987 budget?

Answer. With additional storage aids, material handling equipment and a mechanized material handling system, the base supply function in the leased warehouse could consolidate the stored items and absorb the EDS requirement. However, the leased warehouse could only be an interim solution pending completion of a new warehouse for EDS. The leased warehouse cannot be a permanent solution because of existing storage space deficiencies, and the accounting and storage differences between base retail and depot wholesale management systems. Zweibrucken's total storage requirement is 331,000 SF with current assets, including the leased space, totaling 244,000 SF, leaving an 87,000 SF deficiency. EDS is a wholesale logistics system providing assured wartime and peacetime distribution of critical fighter aircraft spares and engines in Europe. EDS provides European stockage of items currently stored in CONUS. The existing leased facility is in a commercial area, not providing adequate physical security for these essential EDS assets.

Question. What sort of economies would be realized, if a warehouse of sufficient size to satisfy both of these storage requirements were constructed on the Zweibrucken?

Answer. Land at and around Zweibrucken AB isn't available for a facility large enough to accomodate both the leased base supply facility and the EDS requirement. The existing base supply facility is leased for $200,000 per year and the estimated cost of a new complex is $10,000,000. Since land is extremely difficult to acquire and the existing facility can be leased 50 years for the estimated cost of a new building, the present alternative is the best possible solution.

NATO PROGRAM REQUEST

Question. According to your program and financing schedule, you estimate an unobligated balance of $57.2 million to occur at the end of fiscal year 1987. Why are you requesting $247 million for fiscal year 1987 when you anticipate an unobligated balance of $57.2 million?

Answer. The $247 million is required, along with the projected carryover, to meet our share of the program. However, the figures quoted are from an accounting prior to adjustment of currency exchange rates and the identification of the results of Gramm-Rudman-Hollings.

FAILURE TO MEET OBLIGATIONS

Question. Why does NATO need a cushion of funds? Why can't supplemental funds be requested when needed?

Answer. We no longer have a cushion of funds, and, in fact, are in danger of a deficit in FY 1987. If this occurs, we will have to request supplemental funds. We do not have the flexibility of reprogramming as do the services or Defense Agencies. Since the estimates for Infrastructure are dependent on so many variables such as currency fluctuations, and speed of host nations in submitting fund requests, there is a need for some upward flexibility. Our only choices are a monetary cushion which is only obligated as required, or access to speedy and dependable supplemental fund authorizations. Failing some such solution, the U.S. will be forced to renege on its international commitment to this program which provides more facilities for the use of U.S. Forces than the value of the U.S. contribution alone.

NATO—ELIGIBILITY CRITERIA

Question. Have any other nations sought expansion of eligibility criteria? If so, who are they and in what areas?

Answer. Some other nations from time to time seek expansion of criteria—although less frequently than the U.S. Recent examples are river crossing sites by Germany and facilities in support of the Tornado aircraft by Germany, Italy, and the UK.

PROJECTS REQUESTED FOR PREFINANCING

Question. Provide for the record those projects that are NATO eligible but are being requested in fiscal year 1987 under a prefinancing arrangement.

Answer. No prefinancing has been requested. Portions of the COMPASS CALL beddown project may become eligible at a future date. In order to protect the U.S. right to recoup these funds, a precautionary prefinancing statement has been filed with NATO.

HELICOPTER AIRFIELDS

Question. Update the Committee on your progress on the attempt to program Helicopter airfield upgrades in the NATO Infrastructure program?

Answer. The NATO Military Commanders have supported the U.S. request for eligibility and SHAPE proposals have gone to the Military Committee where some concerns have been raised. SHAPE intends to give a detailed briefing in support of eligibility to the Military Committee within the next few weeks. We expect a favorable decision.

Question. Are the first two projects funded in Slice 38 (1987 Infrastructure program)?

Answer. The first one helicopter project was contained in SHAPE's initial version of Slice 38. Given the potential delay in approval of the criteria, however, it is likely that the project will slip to Slice 39 the 1988 program. SHAPE has agreed that, if that were the case, they would propose the project for immediate funding under temporary fund imputation as soon as the eligibility question is settled.

KEFLAVIK, ICELAND

Question. The Congress appropriated $10.9 million in fiscal year 1985 for fuel facilities at Keflavik, Iceland. This project has since been delayed and not scheduled for award until June 1986. With the delay in these fuel facilities, why is the Navy requesting additional fuel facilities in the fiscal year 1987 budget for $13.3 million?

Answer. The FY 1987 fuel facilities project is programmed in the proper year. We want to sustain the mobilized construction contractor effort, and keep fuel tank construction moving ahead smoothly and efficiently. The delay in award of the tank construction appropriated in FY 1985 was foreseen, and resulted in deferral of all FY 1986 fuel facilities programming. The FY 1985 work will be in progress during 1986 and early 1987. It is logical, therefore, to transition to the proposed FY 1987 work by negotiating in late 1986, ordering steel, and doing erection in the construction season beginning March 1987. NATO has programmed their share of this project in Slice 38. This corresponds to 1987 and is in line with our request for FY 1987 funding.

The present coalition Government of Iceland, in office since April 1983 and strongly pro-NATO, approved the FY 1987 project and the NATO Slice entry with expectation construction would proceed on schedule.

Question. Last year, the conferees requested that the Navy seek a cost sharing arrangement on the balance of funding required to complete the airfield improvements at Keflavik, Iceland. Did the Navy approach the Icelandic government to renegotiate cost sharing agreement? If so, what were the results?

Answer. The Conference Report request was formally presented to the Icelandic Ministry for Foreign Affairs at a Defense Council meeting on 25 February 1986. The Icelandic reply was that they are not prepared to cost-share the balance of airfield pavement work due to previous understandings. A formal reply is expected in writing at the Council meeting of 1 April 1986.

In a subsequent discussion, Iceland representatives noted that the Agreement of 22 October 1974, while assigning responsibility for airfield pavements to the United States, also placed financial responsibilities on Iceland. Iceland is making a significant monetary contribution to the overall project by funding at least $22 million of the dual purpose air terminal cost. In wartime the U.S., and any other NATO forces defending Iceland, would take full use of the terminal for military purposes. Considering Iceland's relatively small population (240,000) and economy, the $22 million is a heavy burden. Major equipment for the new terminal such as jet loaders, windows, space frame, mechanical system, sprinklers, generators and security devices are of United States origin.

In reply, they also note the existing Icelandic air terminal in the military area of the base would be transferred to the Defense Force at no cost. This facility, valued at $5,000,000 replacement cost, will serve critical Defense Force needs over the long-term. The civil aviation parking apron adjacent to this terminal will also revert to full time, sole use by Defense Force aircraft. At present, this 45,000 square yard apron, in excellent condition and abutting military operations areas, is used almost exclusively by civil aircraft.

Airfield pavements at Keflavik have traditionally been funded by the United States. Since WWII, the airfield has been expanded, strengthened, and lengthened to accommodate today's high performance aircraft. The United States would use the new taxiway system for both peace and wartime operations in defense of Iceland. The improved airfield layout will benefit today's operations and shorten taxi distances.

ROTA PIER

Question. What effect does Gramm-Rudman-Hollings sequestration have on the U.S. contribution to Spain for its share of cost for the Rota Pier.

Answer. The project can be executed within NAVFAC's escalation authority. Based on the Current Working Estimate, the project escalation is 5.6% of the funded authorization and 11.1% of the Gramm-Rudman-Hollings adjusted funded authorization. The amount of Gramm-Rudman-Hollings sequestration on this project will increase a necessary cost offset elsewhere in the program.

RAMSTEIN AB COMBAT TARGETING CENTER

Question. Explain the need for a $36,000 protected combat targeting center at Ramstein AB, Germany.

Answer. ———. Constructing a protected (hardened to NATO standard) Combat Targeting Center at Ramstein AB will provide survivability, redundancy and effeciency and ———. The Combat Targeting Center (CTC) will combine three critical intelligence functions—imagery exploitation, all-source analysis and target development in a single, survivable facility. Currently, the imagery processing and analysis functions are located at Schierstein, GE while the all-source analysis and targeting functions are located 70 miles south at Ramstein AB.

The 497 Reconnaissance Technical Group (RTG) at Schierstein is the only US facility in Europe for processing and exploiting national, strategic, and theater imagery reconnaissance. The facility, housed post World War I buildings in an urban area ———. In addition, it is separated from its prime source of imagery and its prime customers (targeteers and analysts) both of which are located at Ramstein AB. Currently, ———.

The Combat Operations Intelligence Center (COIC) at Ramstein AB performs conventional/nuclear targeting, penetration/threat analysis, electronic combat support, and houses the central node of the USAFE Intelligence Data Handling System (IDHS) and the Worldwide Military Command and Control System (WWMCCS). ———. The CTC is a key C^3I ingredient for effective employment of our combat forces.

Question. The new facility requires $7,300,000 for tempest shielding, and seven day CB protected stand alone capability. Does the current facility have this degree of protection and why is shielding of the entire facility required?

Answer. The current facilities ———. This allows us to move efficiently and economically shield the facility.

The seven day CB protected stand alone capability is NATO standard for a facility hardened to NATO criteria as the facility is.

Question. How many people will work in this new facility?

Answer. Approximately 250 people will work in this facility in peacetime and 430 during wartime.

Question. Explain the basis for the $244 per square foot cost.

Answer. Five basic requirements drive the cost per foot for the CTC: NATO hardening criteria, CB protection, seven day stand alone capability, use of very sensitive electronic equipment, and the handling of highly classified material. A cost breakout of key items in the facility is shown below.

[Thousands of dollars]

Primary Facility Costs:	
General Construction	8,028
Reinforced Concrete	10,668
Structure	(6,064)
Burster slab (Blast Protection)	(4,604)
Heating, Ventilation and Air Conditioning	2,802
EMP Protection	3,051
Generators	1,930
Blast Doors and Valves	408
Subtotal:	26,887
Support Facility Costs:	
Clearing/Demolition/Excavation	1,805
Security System and Fence	1,000
Exterior Electric	594
Roadway and Parking	239
Water and Sewer Lines	70
Subtotal	3,708
Escalation to midpoint of construction:	1,790
Contingencies (5%):	1,619
SIOH (5.5%):	1,871
Total	35,875

Question. How much of the 64,500 square feet for this facility is administrative space?

Answer. None. All administrative functions will be housed in the old combat operations intelligence center next to the CTC.

WEAPONS STORAGE AND SECURITY SYSTEM

Question. The Air Force has requested $800,000 for a weapons storage and security system at Ramstein AB. This project provides a weapons storage system at four tactical aircraft shelters. Why are weapons storage areas required at aircraft shelters?

Answer. Weapon storage vaults installed in theater strike aircraft shelters allow co-storage of nuclear weapons and strike aircraft, greatly enhancing survivability and operational readiness.

The structural integrity of the storage vault, the built in access delay, the real time assessment system, and the deletion of convoy requirements to and from weapons storage areas greatly enhances security, allowing for significantly reduced security forces.

Safety is enhanced by reduced exposure of weapons to potential mishap environments present during weapons convoys and an overall reduction in weapons handling.

This $800,000 requests installation of four vaults at Ramstein AB. However, delivery of these vaults has been delayed and, therefore, this project is not required in FY 87.

Question. How many aircraft shelters currently have this kind of system and at what locations?

Answer. Two. One prototype and one preproduction test system are currently at Ramstein AB, GE.

Question. How many shelters and at what locations will these storage and security systems be placed in the outyears?

Answer. We plan to install Weapons Storage Security Systems (WS3) at the following locations in the numbers indicated. The locations are listed in the order of planned installation. The system is not considered operational until all elements at a base are completed.

	Number to be installed
Base:	
Ramstein AB, GE	58
Araxos AB, GR	11
Buchel AB, GE	11
Menningen AB, GE	11
Wueschheim AB, GE*	2
Norvenich AB, GE	11
Florennes AB, BE*	2
Woensdrecht AB, NL*	2
Keline Brogel AB, BE	11
Volkel AB, NL	11
Hahn AB, GE	53
Kunsan AB, ROK	36
Aviano AB, IT	18
RAF Bentwaters, UK	25
RAF Upper Heyford, UK	55
RAF Lakenheath, UK	48
RAF Greenham Common, UK*	2
Ghedi AB, IT	6
RAF Molesworth, UK*	2
Comiso AS, IT*	2
Rimini AB, IT	6
Incirlik AB, TK	30
Balkesir AB, TK	6
Murted AB, TK	6
Eskishir AB, TK	6
Erhac AB, TK	6

* WS3 to support GLCM warhead storage as security enhancement measures.

Question. With the emphasis of NATO on aircraft survivability measures, why is this project and the ones in your outyear program not NATO eligible?

Answer. This project is not currently NATO eligible since it is not contained in NATO approved criteria and standards. However, the Air Force has notified NATO of its intent to seek eligiblity and subsequent recoupment of any U.S. funds spent on the project. NATO has acknowledged the Air Force intent to seek eligibility and recoupment and has agreed to a modified international competitive bidding (ICB) procedure which will award to a U.S. prime contractor. The modified ICB procedure stipulates that European subcontractors and suppliers must be given an opportunity to participate. Adherence to this procedure will insure that any U.S. funds spent for WS3 remain eligible for recoupment if the program becomes NATO eligible. The FY 86 budget approved by the Congress and the FY 87 budget request contains procurement funds for these vaults. The $800,000 construction request in FY 87 is not required since equipment delivery has been delayed.

Question. Provide for the record the details of the full scope of this program in the outyears. Include the locations, amounts and projects.

Answer. See question 128 for the locations and numbers of vaults to be installed. MILCON funding accounts for approximately 26%

of program outlays. The current program in the FY 87 President's Budget is:

($M)	FY 86	FY 87	FY 88	FY	FY 89	FY 90
3080	2.9	20.5	28.5	57.1	19.4	22.5
3300		*0.8*	13.7	19.3	27.4	7.5

* Because the delivery of the vaults has been delayed this $0.8M is no longer required.

Question. Will the building of these shelters negate the need for other weapons storage igloos. If so, to what degree?

Answer. The installations of weapon storage vaults in aircraft shelters will free the current weapons storage igloos for conventional weapons storage. Only a small portion of our conventional ammunition storage requirements are anticipated to be satisfied by this program.

DIGITAL EUROPEAN BACKBONE

Question. The Air Force has requested $7.65 million for this program at six sites. Why is a separate communications site Martlesham Heath, in the United Kingdom required for this facility?

Answer. The project for Martlesham Heath upgrades an existing communications site providing one of two communication links between the United kingdom and the Netherlands. Both links are required to handle communications traffic to the European continent.

GREENLAND CONSTRUCTION

Question. Update the Committee on results of "packaging" the fiscal year 1986 projects in Thule AB, Greenland?

Answer. We directed our agent, the Corps of Engineers, to package the three projects at Thule AB as directed by the Committees. Estimated award date is 25 Mar. After bids are evaluated, we will know the results of the packaging effort.

Question. Would you favor continuing this policy for Greenland in fiscal year 1987?

Answer. OSD continues to urge the DOD Construction Agents to use packaging wherever, in their judgment, the circumstances indicate that it makes sense to do so. However, it does not make sense to package every project at a remote location because of the considerations OSD has pointed out. We will package projects on our own initiative in line with OSD guidance.

TURKEY AIR BASES

Question. Update the Committee on the progress on the new NATO funded air bases at Mus and Batman, Turkey.

Answer. In FY 1984, Congress approved $21,000,000 for Mus AB, TU, to construct a runway. Construciton is approximately 20 percent complete with the U.S. spending $10,000,000. NATO approved funding for the project in Slice 37 (FY 86). The U.S. will recoup $10,000,000 in 1986 and the remaining funds will be returned to the

Air Force. The $8,300,000 Congress approved in FY 1984 for minimum essential facilities at Batman AB is not needed because the project has been fully funded by NATO in Slice 36 (FY 85). Construciton is expected to start in Fall 1986.

USE OF CURRENCY FLUCTUATION ACCOUNT

Question. Since the Infrastructure program is sensitive to the currency exchange rate, what are your views on the adoption of a foreign currency fluctuation account that would be managed by OSD to deal with major fluctuations?

Answer. Having a foreign currency account would certainly be of value to the Infrastructure program. It would allow the U.S. to carry out our share of the NATO program without requesting suplemental funds.

KARLSRUHE, GERMANY—TACTICAL EQUIPMENT SHOP

Question. The Army is requesting $1.8 million for a tactical equipment shop in Karlsruhe, Germany. This project was previously authorized at $1,550,000 but not appropriated. Does the Army plan to request authorization of $1.8 million in fiscal year 1987?

Answer. There have been no changes to scope or siting since the project was originally authorized in the FY 86 MCA program. The cost growth is related to the change in exchange rate and inflation. The cost growth is within the Army's cost variation authority and additional authorization will not be requested.

Mr. Hefner. The committee stands adjourned.

[Clerk's note: This concludes Mr. Hefner's questions.]

EXECUTIVE SESSION

TUESDAY, MARCH 18, 1986.

PERSIAN GULF AND PACIFIC CONSTRUCTION PROGRAMS

WITNESSES

HON. RICHARD L. ARMITAGE, ASSISTANT SECRETARY OF DEFENSE (INTERNATIONAL SECURITY AFFAIRS), OFFICE OF THE SECRETARY OF DEFENSE

COLONEL NEIL LARIMER, USMC, DEPUTY DIRECTOR FOR LOGISTICS AND SECURITY ASSISTANCE, USCENTCOM, OFFICE OF SECRETARY OF DEFENSE

BRIGADIER GENERAL DANIEL R. SCHROEDER, USA, DEPUTY ASSISTANT CHIEF OF ENGINEERS (FACILITIES ENGINEERING AND FAMILY HOUSING), OFFICE OF THE CHIEF OF ENGINEERS, DEPARTMENT OF THE ARMY

REAR ADMIRAL JOHN PAUL JONES, JR., CEC, USN, COMMANDER, NAVAL FACILITIES ENGINEERING COMMAND, DEPARTMENT OF THE NAVY

MAJOR GENERAL GEORGE E. ELLIS, USAF, DIRECTOR OF ENGINEERING AND SERVICES, DEPARTMENT OF THE AIR FORCE

STATEMENT OF THE CHAIRMAN

Mr. HEFNER. Today the subcommittee will discuss the fiscal year 1987 military construction program for the Persian Gulf and Pacific Basin. Our principal witness is Mr. Richard Armitage, the Assistant Secretary of Defense for International Security Affairs. He is accompanied by Colonel Neil Larimer, Deputy Director for Logistics and Security Assistance, and various service witnesses.

Before we proceed, I will mention that we will conduct this hearing in a closed session because of the classified nature of the discussion.

Mr. Armitage, your entire statement will be part of the record. After you have concluded your opening statement, the subcommittee will proceed with a discussion of a special initiative in the Middle East and then proceed with a discussion of the Pacific program and other Persian Gulf programs.

I want to thank you for appearing here. This subcommittee always appreciates your candid thoughts, opinions and speculations. At this point, Mr. Armitage, you may proceed.

Your entire statement will be made a part of the record. You can proceed in any way you see fit.

STATEMENT OF HON. RICHARD L. ARMITAGE, ASSISTANT SECRETARY OF DEFENSE (INTERNATIONAL SECURITY AFFAIRS), OFFICE OF THE SECRETARY OF DEFENSE

Mr. ARMITAGE. Thank you very much, Mr. Chairman. I am delighted to be back. This is my fourth testimony in front of you. I get a little nervous when you congratulate me on my candor. If I am being congratulated by the Hill on my candor, I am usually attacked by some of my colleagues for talking too much.

I would like to put our MilCon and Southwest Asia and Pacific requests into context. I am assisted with the nuts and bolts by Colonel Larimer, Brigadier General Schroeder of the Army, Major General Ellis of the Air Force, and Admiral Jones of the Navy. I am sure when we get past policy and into nuts and bolts, those gentleman can handle any questions that you might have.

As I have testified several times before, Mr. Chairman, our MilCon programs in Southwest Asia have the objective of the development of capabilities necessary to project U.S. forces into the area or into the region should it ever be necessary, while our program in the Pacific has as its objective the maintenance of a strong and capable forward deployed U.S. force.

The situation in Southwest Asia has, in my view, worsened over the past year, if not dramatically at least measurably, and I would like to go into some of the parameters. If we look at the Iran-Iraq situation, we saw in mid-February an Iranian offensive which gained them perhaps their biggest success of the war. They have passed over the Shatt-el-Arab waterway, and now occupy the town of El Faw to the tune of over ——— Iranian troops. They are able to continually ———. They were having trouble in the ———.

Some of the shellings that accompanied the Iranian offensive went ———.

If you look across the Persian Gulf, look into Afghanistan, the Soviets have now reinforced upwards of ——— troops and perhaps the newest innovation of the war has been the introduction of a ———. Last year they had ——— Now they have ——— and all indications are that they will ———. It is an indication of the Soviets' intention in the region. I am going to read to you from a document that came today, my intelligence update.

It reports the Soviets' increased use of a new ———. We had seen this as early as 1981, but it hadn't been of significant usage. It is a ———. I just enter that for your consideration as indicative of the fact that the Soviets ———.

The situation in South Yemen has recently changed. It has changed, initially we though, in a way that would provide the Soviets some solace, but I find that today, in my reading, that even the ———. The new regime is engaged in a ———. This is even too much for ———.

All in all, I guess the approximately $56 million that we are requesting, sir, for fiscal year 1987, will find itself used in a very—if it is appropriated—volatile area.

Turning to the Pacific where our request is $408 million for this year, this is about 20 percent less than we had requested last year. I am sorry that Mr. Regula is no longer here. He had a long-standing interest in the development of the MilCon projects, particularly in Japan, and I am pleased to report that because of his efforts, administration efforts, and efforts of other Members of Congress, our Milcon request for Japan this year is down to $48 million, while the Japanese MilCon monies which they put forward to support U.S. forces, is up to $320 million, almost a $50 million increase over last year. This is something that we fought for long and hard since 1979, the Facilities Improvement Program.

It has developed quite well.

Perhaps the most interesting development in the Pacific has been the Philippines. I submitted to you, Mr. Chairman, a report that was requested by the Congress, called "Alternatives to the Philippines Bases." In my cover letter I said that there are no alternative bases, there are just other locations. And I would be glad to go into as much depth as you would like on the situation in the Philippines to include those other locations that we might possibly use should the Philippine bases become unavailable to us. Also, I can discuss the insurgency as it now exists or discuss the Aquino government as we see it.

We have recently had people in the Philippines who talked with Mrs. Aquino and her defense personnel, and I will be glad to report to the subcommittee on those discussions.

Thank you very much. It is good to be here, sir.

[Mr. Armitage's statement follows:]

STATEMENT OF THE HONORABLE

RICHARD L. ARMITAGE

ASSISTANT SECRETARY OF DEFENSE

(INTERNATIONAL SECURITY AFFAIRS)

BEFORE THE

SUBCOMMITTEE ON MILITARY CONSTRUCTION

HOUSE APPROPRIATIONS COMMITTEE

REGARDING THE

PERSIAN GULF AND PACIFIC AREA

MARCH 18, 1986

MR. CHAIRMAN,

THANK YOU FOR THE OPPORTUNITY TO ADDRESS THIS SUBCOMMITTEE ON THE FY 87 DEFENSE DEPARTMENT REQUEST FOR MILITARY CONSTRUCTION FUNDING IN SOUTHWEST ASIA AND THE PACIFIC. MY REMARKS WILL FOCUS ON THE POLITICAL AND MILITARY DIMENSIONS OF OUR MILCON PROGRAMS AND THEIR IMPORTANCE TO UNITED STATES DEFENSE EFFORTS IN THESE TWO IMPORTANT REGIONS.

COLONEL NEIL LARIMER, USMC, DEPUTY DIRECTOR LOGISTICS AND SECURITY ASSISTANCE, USCENTCOM, WILL BE PREPARED TO ADDRESS THE PARTICULARS OF OUR SOUTHWEST ASIA SUPPORT PROGRAMS AND THE ENHANCED CAPABILITY THAT THEY WILL AFFORD THE UNITED STATES.

AND I AM ALSO PLEASED TO INTRODUCE AS BACK-UP WITNESSES OUR SERVICE ENGINEERS--BG DAVID R. SCHROEDER, USA, DEPUTY ASSISTANT CHIEF OF ENGINEERS FOR FACILITIES AND HOUSING, OFFICE OF THE CHIEF OF ENGINEERS, DEPARTMENT OF THE ARMY; REAR ADMIRAL JOHN PAUL JONES, JR., COMMANDER, NAVAL FACILITIES ENGINEERING COMMAND, DEPARTMENT OF THE NAVY; MAJOR GENERAL GEORGE E. ELLIS, USAF, DIRECTOR OF ENGINEERING AND SERVICES; HEADQUARTERS US AIR FORCE.

THE MAJOR OBJECTIVE OF OUR MILITARY CONSTRUCTION PROGRAM IN SOUTHWEST ASIA REMAINS THE DEVELOPMENT OF THE CAPABILITY NECESSARY TO PROJECT U.S. FORCES INTO THE PERSIAN GULF REGION, IF NECESSARY. OUR MILITARY CONSTRUCTION PROGRAM IN THE PACIFIC IS DIRECTED TOWARD THE MAINTENANCE OF STRONG AND CAPABLE FORWARD DEPLOYED FORCES. CONTINUED PROGRESS TOWARD THESE OBJECTIVES IS ESSENTIAL TO OUR STRATEGY FOR THE DEFENSE OF OUR VITAL INTERESTS. WITH YOUR PERMISSION, I WILL ADDRESS EACH REGION IN TURN.

SOUTHWEST ASIA

DURING THE PAST YEAR, SOUTHWEST ASIA HAS REMAINED VOLATILE. THE MOST APPARENT THREAT TO REGIONAL STABILITY IS THE IRAN-IRAQ WAR. IN RECENT WEEKS, WE HAVE SEEN IRAN TAKE AND HOLD TERRITORY AT AL-FAW JUST 30 MILES FROM KUWAIT. AT THE SAME TIME, IRANIAN THREATS TO NEIGHBORING GULF STATES HAVE BECOME INCREASINGLY BELLIGERENT. WHILE THE OUTCOME OF THE WAR AND THE NATURE OF A POST-KHOMENI REGIME IN IRAN REMAIN UNCERTAIN, THERE IS LITTLE DOUBT THAT PRESSURES ON FRIENDLY STATES AND THE THREAT TO OUR INTERESTS IN THE REGION WILL REMAIN HIGH FOR THE FORESEEABLE FUTURE.

WE ALSO MUST TAKE NOTE OF THE GROWING SOVIET THREAT TO THE REGION. THE SOVIETS HAVE DEMONSTRATED INCREASED WILL TO EXERT THEIR INFLUENCE BY THEIR ACTIONS DURING THE COUP IN SOUTH YEMEN, WHILE THEY CONTINUE THEIR DESPICABLE OCCUPATION OF AFGHANISTAN AND MAINTAIN THEIR PRESENCE IN SYRIA, LIBYA, AND THE HORN OF AFRICA. WE BELIEVE THAT SOVIET EFFORTS AIM AT NOTHING LESS THAN THE LONG-RANGE CONTROL AND DOMINATION OF SOUTHWEST ASIA AND ITS RESOURCES.

THUS, POLITICAL AND MILITARY INSTABILITY COUPLED WITH EXTERNAL SUBVERSION IN SOUTHWEST ASIA CONTINUE TO POSE COMPLEX AND DYNAMIC CHALLENGES FOR U.S. DEFENSE PLANNING. U.S. DEFENSE POLICY IS DESIGNED TO PROMOTE REGIONAL STABILITY WHILE DETERRING ACTIONS HOSTILE TO U.S. AND ALLIED INTERESTS. WE SEEK TO SUPPORT THE SECURITY AND TERRITORIAL INTEGRITY OF OUR FRIENDS, INSURE UNIMPEDED ACCESS TO THE REGION'S OIL, AND MAINTAIN FREEDOM OF NAVIGATION IN INTERNATIONAL WATERS.

WE SHARE THESE INTERESTS WITH OUR ALLIES AND HAVE CONTINUED TO URGE GREATER EFFORTS FROM OUR ALLIES TO ATTAIN OUR MUTUAL INTERESTS. WE SUPPORT CLOSE POLITICAL RELATIONS, WITH INCREASED ECONOMIC SUPPORT AND SECURITY ARRANGEMENTS, BETWEEN OUR ALLIES AND FRIENDLY REGIONAL COUNTRIES, AS WELL AS STRENGTHENED FORCE DEPLOYMENTS AND GREATER COORDINATION WITH U.S. MILITARY ACTIVITIES IN THE REGION. IN PARTICULAR, I WOULD LIKE TO MENTION JAPAN'S OVERSEAS DEVELOPMENT ASSISTANCE PROGRAM WHICH TOTALS OVER $4 BILLION A YEAR. OVER HALF OF THIS AMOUNT GOES TO ASIA TO PROMOTE REGIONAL STABILITY. JAPAN HAS GIVEN INCREASED CONSIDERATION TO ALLOCATE ITS AID STRATEGICALLY; AS A RESULT, SIGNIFICANT AMOUNTS OF JAPANESE ASSISTANCE HAVE GONE TO EGYPT, PAKISTAN, TURKEY, THAILAND, AND MOROCCO.

WHILE WE WORK FOR A CONDITION THAT WILL ALLOW REGIONAL STATES TO DEAL WITH MOST CASES OF INTERNAL SUBVERSION AND INTRA-REGIONAL CONFLICT WITHOUT THE INVOLVEMENT OF OUR FORCES, WE MUST BE PREPARED TO RESPOND TO A BROAD RANGE OF THREATS IN ORDER TO DETER AGGRESSION. INDEED, WE BELIEVE THAT DETERRENCE IS THE BEST WAY TO MANAGE THE SOVIET THREAT TO THE REGION. WE MUST HAVE A SUFFICIENT MILITARY CAPABILITY TO CONVINCE THE SOVIETS THAT THEIR COSTS WILL BE UNACCEPTABLY HIGH IF THEY SHOULD ATTACK OUR VITAL INTERESTS IN THE REGION. ACCESS TO EN ROUTE FACILITIES AND ACCESS TO FACILITIES IN SOUTHWEST ASIA ARE CRUCIAL TO THIS EFFORT.

REALIZATION OF OUR REQUIRED MILITARY CAPABILITIES FOR SOUTHWEST ASIA DEPENDS UPON COMPLETING OUR MILITARY CONSTRUCTION PROGRAM, WHICH HAS ENHANCED OUR CAPABILITY TO RAPIDLY PROJECT AND SUSTAIN

U.S. FORCES IN THE REGION. LAST YEAR WE RECEIVED $55.78 MILLION TOWARD THIS GOAL. THIS YEAR WE ARE REQUESTING $56.65 MILLION, INCLUDING PROJECTS IN DIEGO GARCIA, OMAN, LAJES, AND MOROCCO.

OUR REQUEST REFLECTS MATURING PROGRAMS, WITH PROJECTS EITHER COMPLETED OR NEARING COMPLETION. INDEED, WE HAVE TO A LARGE EXTENT TURNED OUR ATTENTION AWAY FROM NEW PROJECTS TO MAINTAINING THE FACILITIES WE HAVE BUILT, ALONG WITH THOSE BUILT BY HOST GOVERNMENTS THAT WE USE FOR CONTINGENCY OPERATIONS.

WHILE WE DO NOT ENVISION MAJOR NEW PROJECTS OR SITES, SOME ADDITIONAL FACILITY REQUIREMENTS STILL EXIST. IF WE CANNOT AQUIRE SUCH FACILITIES THROUGH HOST NATION SUPPORT OR OTHER AVENUES, WE WILL CONSIDER FOLLOW-ON MILITARY CONSTRUCTION. IN ADDITION, SMALL FOLLOW-ON PROJECTS MAY BE NEEDED FOR OUR EXISTING PROGRAM. OF COURSE, WE WILL CONSULT CLOSELY WITH THIS COMMITTEE ON ANY SUCH COURSE OF ACTION. HIGHLIGHTS OF OUR FY 1987 REQUEST ARE AS FOLLOWS:

-- MOROCCO. WE REQUEST $25.4 MILLION FOR POL STORAGE TANKS, RAILROAD LOAD STATION, RAILCAR PARKING, A SHORT PIPELINE, A PUMPING STATION, AND RELATED UTILITIES. THIS WILL CONTINUE TO PROVIDE ENROUTE AIRLIFT SUPPORT FOR U.S. FORCES DEPLOYING TO SOUTHWEST ASIA THROUGH AIRFIELD AND FUEL STORAGE IMPROVEMENTS. THE FY 1984 PROJECT HAS COMMENCED AND THE FY 85 PROJECT HAS BEEN DESIGNED WITH CONTRACT AWARD EXPECTED NEXT MONTH. THE AIR FORCE IS CURRENTLY NEGOTIATING A MEMORANDUM OF UNDERSTANDING TO COVER THE ENTIRE CONCEPT OF OPERATIONS FOR THE USE OF FACILITIES WHICH SHOULD BECOME AVAILABLE BY SEPTEMBER 1987.

-- LAJES. WE REQUEST $8.3 MILLION TO REPLACE A HYDRANT REFUELING SYSTEM IN ORDER TO UPGRADE OUR POL REFUELING CAPABILITIES. THIS IS A KEY PART OF OUR SUPPORT FOR SOUTHWEST ASIA. ADDITIONALLY, $7.45 MILLION IS REQUESTED FOR OFFICER AND ENLISTED UNACCOMPANIED HOUSING. OUR PRIOR YEAR MILCON PROGRAMS AT LAJES ARE UNDER CONSTRUCTION WITH A SCHEDULED COMPLETION DATE OF SEPTEMBER 1988.

-- OMAN. WE REQUEST $6.9 MILLION FOR CARETAKER CONTRACTOR SUPPORT FACILITIES AT MASIRAH AIR BASE AND THUMRAIT AIR BASE. NEITHER OF THESE LOCATIONS HAS FACILITIES TO ADEQUATELY HOUSE AND FEED CONTRACTOR PERSONNEL WHO ARE ESSENTIAL TO SUPPORT PREPOSITIONING ACTIVITIES FOR TACTICAL OPERATIONS, IF NECESSARY.

-- DIEGO GARCIA. WE REQUEST $4.7 MILLION TO CONSTRUCT AN AIR FORCE VEHICLE MAINTENANCE STORAGE FACILITY AND A GLOBAL POSITIONING SYSTEMS INTERNET FACILITY.

MR. CHAIRMAN, THOUGH WE HAVE MADE PROGRESS IN IMPROVING OUR CAPABILITY TO PROJECT POWER IN THIS REGION, THE POTENTIAL THREATS TO OUR INTERESTS HAVE CONTINUED TO GROW. I URGE YOUR SUPPORT FOR THESE ESSENTIAL MILITARY CONSTRUCTION PROJECTS SO THAT WE CAN CONTINUE TO STRENGTHEN OUR DETERRENCE IN THIS VITAL REGION.

FY 87 PACIFIC MILITARY CONSTRUCTION PROGRAM

OUR $408 MILLION MILITARY CONSTRUCTION REQUEST FOR THE PACIFIC AREA FOR FY 87, INCLUDING FAMILY HOUSING, IS 20% LOWER THAN THE AMOUNT REQUESTED FOR FY 86. THESE PROJECTS REPRESENT A CONTINUING EFFORT, AFTER YEARS OF UNDERFUNDING, TO IMPROVE LIVING AND WORKING CONDITIONS IN ALL AREAS:

-- $124 MILLION FOR DORMITORIES AND DINING HALLS ON GUAM, THE PHILIPPINES, KOREA, AND KWAJALEIN;

-- $80 MILLION FOR OPERATIONAL FACILITIES IN JAPAN, KOREA, THE PHILIPPINES, KWAJALEIN, SAIPAN, AND AUSTRALIA;

-- $53 MILLION FOR VITALLY NEEDED SUPPLY FACILITIES;

-- $64 MILLION FOR NEW MAINTENANCE FACILITIES REQUIRED FOR THE UPKEEP OF OUR TACTICAL EQUIPMENT IN JAPAN, KOREA, THE PHILIPPINES, AND AUSTRALIA;

-- $27 MILLION FOR UPGRADE OF UTILITY SYSTEMS; AND

-- $4 MILLION FOR MEDICAL FACILITIES.

JAPAN

WE CONTINUE TO REGARD THE US-JAPAN MUTUAL SECURITY TREATY AS THE PILLAR OF ASIAN PEACE AND STABILITY. THE JAPANESE SHARE THIS PERCEPTION AND HAVE PROVIDED EXTENSIVE MILITARY CONSTRUCTION SUPPORT TO US FORCES IN JAPAN. THIS VOLUNTARY JAPANESE INITIATIVE, BEGUN IN 1979, INVOLVES EXPENDITURES OF $287.3 MILLION IN FY 85. PROPOSED FY 86 SPENDING IS $320.8 MILLION. TOTAL JAPANESE SUPPORT FOR US FORCES IN JAPAN IS $1.2 BILLION PER YEAR.

OUR $48 MILLION MILITARY CONSTRUCTION PROGRAM FOR FY 87 IS FOR FACILITY REPAIRS AND PROJECTS THE JAPANESE CONSIDER POLITICALLY SENSITIVE -- WORK THAT CANNOT BE FUNDED IN THE JAPANESE FACILITIES IMPROVEMENT PROGRAM (FIP). OUR REQUEST IS SLIGHTLY LESS THAN THE $51 MILLION APPROVED LAST YEAR. TWO-THIRDS OF THE PROGRAM, OR $32 MILLION, IS FOR OPERATIONAL SUPPORT ITEMS SUCH AS FUEL AND MUNITIONS STORAGE. THE REMAINING $16 MILLION IS FOR BUILDING MODIFICATIONS AND UPGRADES WHICH REPRESENT OUR OBLIGATIONS

UNDER THE TREATY OF MUTUAL COOPERATION AND SECURITY. ALL OTHER MILITARY CONSTRUCTION REQUIREMENTS HAVE BEEN TRANSFERRED TO THE FIP.

KOREA

TENSIONS ON THE KOREAN PENINSULA REMAIN HIGH DESPITE THE BEGINNINGS OF A DIALOGUE BETWEEN PYONGYANG AND SEOUL. THE THREAT OF NORTH KOREAN AGGRESSION IS STILL A SERIOUS AND IMMEDIATE CONCERN. OUR MILITARY PRESENCE HAS BEEN THE PRINCIPAL DETERRENT TO NORTH KOREAN MILITARY ADVENTURISM IN KOREA, AND OUR ABILITY TO MAINTAIN A HIGH STATE OF READINESS CONTRIBUTES DIRECTLY TO THIS END.

THE FY 87 MILITARY CONSTRUCTION PROGRAM FOR KOREA TOTALS $203 MILLION. THE KOREAN COMBINED DEFENSE IMPROVEMENT PROGRAM HAS FUNDED OVER ONE-HALF BILLION DOLLARS IN SUPPORT OF OUR OPERATIONAL REQUIREMENTS SINCE 1980. OUR KOREA PROGRAM REPRESENTS A CONTINUATION OF OUR EFFORTS TO COMPENSATE FOR THE LACK OF FUNDING WHICH OCCURRED IN THE LATE 1970'S. THE FY 87 PROGRAM FOCUSES ON UPGRADING WORKING AND LIVING CONDITIONS FOR US FORCES IN KOREA, AND INCLUDES $96 MILLION FOR UNACCOMPANIED PERSONNEL HOUSING AND DINING HALLS AND $66 MILLION FOR NEW SUPPLY FACILITIES AND MAINTENANCE SHOPS TO MAINTAIN READINESS OF OUR MECHANIZED EQUIPMENT. THE REMAINING $41 MILLION IS FOR VARIOUS OPERATIONS, ADMINISTRATION, MEDICAL FACILITIES AND UTILITIES. ABOUT 70% OF THE KOREA PROGRAM IS FOR US ARMY PROJECTS.

PHILIPPINES

THE NEW GOVERNMENT IN THE PHILIPPINES FACES A MYRIAD OF SERIOUS PROBLEMS -- THE URGENT NEED TO REMEDY THE WORST ECONOMIC CRISIS

IN THE PHILIPPINES SINCE WORLD WAR II, THE NEED TO RECONSTITUTE GOVERNMENT FUNCTIONS AND DEMOCRATIC INSTITUTIONS, AND THE REQUIREMENT TO REBUILD AND PROFESSIONALIZE THE ARMED FORCES OF THE PHILIPPINES (AFP). THE PRIMARY GOAL OF THE UNITED STATES AT THIS TIME IS TO BE A GOOD FRIEND AND LOYAL ALLY OF THE PHILIPPINES. WE ARE REAFFIRMING OUR CLOSE FRIENDSHIP WITH THE PHILIPPINE PEOPLE THROUGH OUR ENCOURAGEMENT OF POLITICAL AND ECONOMIC REFORMS AND OUR ECONOMIC AND HUMANITARIAN ASSISTANCE PROGRAMS. WE ARE REAFFIRMING OUR STATUS AS A CLOSE ALLY BY SUPPORTING MILITARY PROFESSIONALISM IN THE AFP AND PROVIDING SECURITY ASSISTANCE TO HELP DEVLEOP A STRONG, CAPABLE ARMED FORCE AND BY MAINTAINING THE MILITARY STRENGTH WHICH WILL ALLOW US TO DISCHARGE OUR RESPONSIBILITIES UNDER THE US-PHILIPPINES MUTUAL SECURITY TREATY AND THE MANILA PACT. IT IS IN THIS LATTER AREA -- MAINTAINING THE CAPABILITIES WHICH ALLOW US TO PERFORM AS A LOYAL AND DEPENDABLE ALLY -- THAT THE US FACILITIES AT PHILIPPINE BASES ARE IMPORTANT.

US AIR FORCE AND NAVY FORCES OPERATE FROM US FACILITIES LOCATED ON PHILIPPINE MILITARY BASES IN ACCORDANCE WITH THE US-REPUBLIC OF THE PHILIPPINES MILITARY BASES AGREEMENT (MBA) OF 1947. THE US FACILITIES ARE SOME OF THE OLDEST AND LARGEST INSTALLATIONS AT WHICH US OPERATING FORCES ARE LOCATED. OUR MILITARY CONSTRUCTION PROGRAM AT THESE FACILITIES TOTALS $73 MILLION FOR FY 87, SLIGHTLY LESS THAN FY 86'S $82 MILLION, AND WILL BE USED FOR MUCH NEEDED UPKEEP AND MODERNIZATION. THE GOAL OF THESE EXPENDITURES IS TO BRING THE US FACILITIES IN THE PHILIPPINES UP TO THE STANDARDS OF OUR OTHER BASES.

THE RUNWAY CONSTRUCTION PROJECT AT CLARK AB PROVIDES A GOOD EXAMPLE OF THE OPERATIONAL IMPERATIVES FOR UPGRADE AND MODERNIZATION. THE EXISTING CLARK RUNWAY WAS BUILT ALMOST FORTY YEARS AGO AND HAS DETERIORATED SIGNIFICANTLY THROUGH YEARS OF HEAVY USE. IT CONSTANTLY REQUIRES MAINTENANCE AND REPAIR BUT, BEING THE ONLY RUNWAY, MUST BE KEPT OPEN FOR AIR OPERATIONS AS MUCH AS POSSIBLE. CONSTRUCTION OF A SECOND RUNWAY WILL REDUCE THE POSSIBILITY OF OPERATIONAL READINESS FAILURES RESULTING FROM CLOSURE OF THE EXISTING RUNWAY AND GREATLY INCREASE OPERATIONAL CAPABILITY AT CLARK. THE PARALLEL RUNWAY PROJECT WILL ALSO ALLEVIATE SERIOUS OPERATIONAL PROBLEMS AT CLARK DURING EXERCISES WHERE THE FLYING SCHEDULE IS INTENSE. FOR EXAMPLE, COPE THUNDER, A MAJOR COMBINED AIR EXERCISE HELD ANNUALLY AT CLARK AB, GENERATES OVER 7,000 SORTIES WHICH, IN TURN, CAUSES EXTENDED DELAYS FOR NON-EXERCISE AIRCRAFT. IN ADDITION TO THESE OPERATIONAL BENEFITS, THE CONSTRUCTION OF THE PARALLEL RUNWAY WILL PROVIDE THE OPPORTUNITY TO MAINTAIN THE EXISTING RUNWAY IN A MANNER MOST CONDUCIVE TO SAFE AND SECURE FLIGHT OPERATIONS.

THE OTHER PROJECTS AT US FACILITIES IN THE PHILIPPINES WILL PROVIDE OPERATIONS AND MAINTENANCE FACILITIES AND UPGRADED UNACCOMPANIED PERSONNEL HOUSING. THESE PROJECTS WILL CONTRIBUTE _____ TO OPERATIONAL READINESS AND A DECENT WORKING AND LIVING ENVIRONMENT FOR US MILITARY MEMBERS WHO ARE ASSIGNED TO THESE FACILITIES.

CONCLUSION

OUR CAPABILITY TO FULFILL OUR DEFENSE COMMITMENTS IN EAST ASIA AND THE PACIFIC AND TO PROJECT FORCES RAPIDLY INTO SOUTHWEST

ASIA, OR WHEREVER NEEDED, IS NECESSARY FOR DETERRENCE AND EFFECTIVE DEFENSE AGAINST HOSTILE FORCES. APPROPRIATE LEVELS OF MILITARY CONSTRUCTION FUNDING ARE ESSENTIAL TO MAINTAIN AND ENHANCE THIS CAPABILITY TO DETER AGGRESSION, TO FIGHT EFFECTIVELY IF DETERRENCE WERE TO FAIL, AND TO IMPROVE THE QUALITY OF LIFE OF OUR SOLDIERS, SAILORS, AND AIRMEN AND THE DEPENDENTS WHO ACCOMPANY THEM. WE ARE AGAIN ABLE TO KEEP OUR REQUEST AT A MODEST LEVEL BECAUSE OF THE HOST NATION SUPPORT PROVIDED BY OUR JAPANESE AND KOREAN ALLIES AND BECAUSE OF OUR EMPHASIS ON BUILDING OUR CAPABILITIES TO PROJECT FORCES TO SOUTHWEST ASIA, IF NECESSARY, RATHER THAN STATIONING THEM IN THE REGION IN PEACETIME. NEVERTHELESS, WE REQUIRE SOME MILITARY CONSTRUCTION FUNDING TO MEET LIMITED BUT ESSENTIAL REQUIREMENTS. I URGE YOUR SUPPORT FOR THE ADMINISTRATION'S MILITARY CONSTRUCTION PROGRAM.

SPECIAL INITIATIVES

Mr. **Hefner.** We will now clear the room so that we can discuss the special initiatives.

Mr. **Armitage.** If I could have for the administration everyone but flag officers, please.

Mr. **Hefner.** ——— the United States entered into a host nation support and preposition agreement to facilitate the support of U.S. armed forces in that region during the time of crisis or hostilities.

Mr. **Armitage.** Yes, sir.

Mr. **Hefner.** As a result of this agreement, the department has requested ———. We have a number of questions.

I would like to start by asking about the threat to which this prepositioning is intended to respond. We are all aware of the sensitivity in the ———. These funds will provide for ———. These facilities are requested to respond to the Soviet threat ———.

Can you explain what strategic planning and analysis leads the U.S. to conclude that this ——— was necessary and how the capabilities from these facilities will interface with other facilities in the region?

Mr. **Armitage.** Yes, sir. I will do my best.

As you correctly pointed out, ——— and we have made what we feel is significant progress in all three legs of that triad. We notified the Congress, under the provisions of the ———.

We have been plagued somewhat by ———. We are enormously concerned with the Soviets ——— and not only their own presence there, which is primarily as ——— but also with the enormous amounts of equipment that the Soviets have put into Syria.

We have also noticed the Soviets have enormous amounts of equipment ———, many, many, many items stored: tanks, Armored Personnel Carriers or APCs, aircraft, things of this nature, and munitions which could be useful to the Soviets in time of emergency.

We, in looking at a ——— came up with his own plan. This was not forced by the department. ———.

The threat has been a combination of the ———. It has been this increased ———all of which leads us to believe that we could have a serious problem ——— and we are trying to take prudent steps to prepare for it.

Mr. **Hefner.** As you know, we have been engaged in a ——— to respond to the Soviet threat. There has always been some doubt here in Congress that the U.S. would be able to ———. Are these facilities necessary in the event ——— in the region?

Mr. **Armitage.** ———.

Mr. **Hefner.** What type access agreement do we have with ———.

Mr. **Armitage.** We do not have an access agreement, per se, signed with ———. We have time and again sought a more formal access from ———.

Mr. **Hefner.** Is it very difficult to get something in writing ——— agreements?

Mr. **Armitage.** Yes, sir. I have been unsuccessful in my four years in this job, and I think my predecessors were unsuccessful. We do have agreements with ——— but we have not been successful in getting the type of agreement we would like with ———. We have been told ———. It is the same thing they tell visiting Members of Congress. They don't tell you a different story than they tell us.

Mr. **Hefner**. Do they have agreements ——— just to be the devil's advocate,

Mr. **Armitage**. Yes, they do.

Mr. **Hefner**. In case they would want to have access, could we have a real conflict, say, with the Libyans or somebody?

Mr. **Armitage**. ———.

Mr. **Hefner**. We spend approximately ———, both militarily and economically. We have paid for the creation of substantial military capability ———. In light of this, why did we agree to fund ———?

Mr. **Armitage**. Well, when our fellows looked at the existing ——— they found they were not sufficient to our needs, and we made the decision to request the ———. We do have even more than———. From our point of view, it is very well spent. I have to be frank. ———.

Mr. **Hefner**. You have got to be aware that there is some of that going around in this country about the amounts of money that we are going to be able to get for the defense budget. It is not unique to ———.

Mr. **Armitage**. Yes, I couldn't agree more, and I am painfully aware of it, Mr. Chairman.

Mr. **Hefner**. Although this project is currently a ———.

Mr. **Armitage**. It is currently ———, sir.

Mr. **Hefner**. If it is currently ———, it is my belief that eventually it is going to be known, not from anybody in this committee, but these things just happen. How do you intend to respond to the reaction ———.

Mr. **Armitage**. I would say that the best defense is always the truth. We have told them we have ——— about it is the nature and extent of ———. The President has announced that publicly, sir.

Mr. **Hefner**. Have any of these countries been made aware of our intentions of ———?

Mr. **Armitage**. Have any of the ——— countries?

Mr. **Hefner**. Yes.

Mr. **Armitage**. Yes, sir, they all are aware that we have ———.

Mr. **Hefner**. Do they know about this particular project?

Mr. **Armitage**. No. They know just that we have a ———.

Mr. **Hefner**. That we do have an agreement?

Mr. **Armitage**. Yes, sir.

Mr. **Hefner**. Not the specifics of it?

Mr. **Armitage**. No, sir, and they will not, if we have anything to say about it, just as we try to protect in most parts of the specific agreements with ———. But I have to also be frank with you. We are much more ——— than we are the other way around.

Mr. **Hefner**. The agreement alludes to ———.

Mr. **Armitage**. We have been assured by the ———. Number two, I can't envision a problem that the United States would be involved in where ——— so I don't think it is a practical problem, and I haven't been made aware that there is one.

Mr. **Marinelli**. Just one clarifying statement on something you said earlier; I think you said that the ———.

Mr. **Armitage**. That is correct.

Mr. **Marinelli**. Our committee's understanding was that CENTCOM has the principal responsibility against the Soviet threat.

Mr. **Armitage**. ———.

Mr. **Marinelli**. But isn't CENTCOM responsible for the Soviet threat in the Middle East?

Mr. **Armitage**. In Southwest Asia. ———.

Mr. **Rudd**. Can you give me again the CENTCOM ——— translation?

Mr. **Armitage**. ——— United States Central Command.

Mr. **Hefner**. Mr. Edwards.

Mr. **Edwards**. Do you envision being able to use the forces ——— if that would be necessary?

Mr. **Armitage**. We will have ———.

Mr. **Edwards**. Is there a plan at some point to extend this, ———.

Mr. **Armitage**. There may be a very small number. I better provide that for the record so I can be truthful with you. I wouldn't be surprised if there were a very small number, ———.

Mr. **Edwards**. So the plan is that if it is necessary, we will ——— at that point?

Mr. **Armitage**. That is right.

Mr. **Edwards**. ——— and whatever?

Mr. **Armitage**. Indeed, and ——— as well.

Mr. **Edwards**. I am aware that we have not made any sort of public announcements about this other then the fact that there is ———.

Mr. **Armitage**. No, sir. I think that the ———.

Mr. **Edwards**. But this which is essentially, as I understand it, ———.

Mr. **Armitage**. We didn't limit their planning. We asked them what their needs were, and this present plan envisions ——— I have indicated, in answer to the chairman, that it could be that ———.

Mr. **Edwards**. So the only thing you are talking about, then, other than the ———.

Mr. **Armitage**. Well, there are some ——— there too.

Mr. **Edwards**. Besides ———.

Mr. **Armitage**. No, there is not.

Mr. **Edwards**. I don't have any other questions.

Mr. **Hefner**. Mr. Coleman.

IRAQ-IRAN WAR

Mr. **Coleman**. You know the concern that I have had is that on the Iran-Iraq war—and I don't know if you have touched on it or not, but I wondered about what the threat in your opinion is right now, particularly as it might affect ——— or anything else in the region that we should know about.

Mr. **Armitage**. I think the threat is not one of Iranians, per se, running over ———.

We have seen that some of our friends come under great ——— Congressman.

Mr. **Coleman**. The concerns that I think at least I perceive out there about what our response, what our efforts should be ———, I guess that is my concern in a bigger and better look at the thing. I personally have a great deal of concern about what is going on there. It has been going on over a long time, I know, but any turn of events there could prove to be fairly expensive for us.

Mr. **Armitage**. ———.

MILCON REQUEST—JAPAN

Mr. **Coleman**. You said in your statement the $48 million military construction fund request for facilities in Japan are politically sensitive, and cannot be funded by the Japanese. What exactly does that mean?

Mr. **Armitage**. ———. Their facilities improvement program or their MilCon for us has been primarily housing, facilities for troops and their families, hardened shelters now. We have moved the Japanese into that area, ———. They refer to their constitution. In 1979 they funded this at the level of $100 million. Now they are funding $320 million. They are spending about $7 for every $1 of ours, and it is moving upwards. That is the direction we want it to go.

If we had anything to say about it, ———. But I and my colleagues haven't been able to bring it home yet.

Mr. **Coleman**. Thank you, Mr. Chairman.

IRAN-IRAQ WAR

Mr. **Rudd**. Continuing in that vein with Iran and Iraq ——— and also Kuwait, do we have bases in Kuwait?

Mr. **Armitage**. No, we don't, sir.

Mr. **Rudd**. Do we have any interests there at all?

Mr. **Armitage**. Yes, we have a very fulsome naval program with them, not in ship visits per se, but they have A–4s whose crews were trained by our Navy. We have sold them some weapons systems, and right now the Saudis are taking the lead in support for Kuwait. We would find it very much against our interests if ———.

Mr. **Rudd**. So there would be a temendous effect on our interests if ——— is that a good possibility?

Mr. **Armitage**. ———.

Mr. **Rudd**. Has Kuwait some sort of relationship ———.

Mr. **Armitage**. No, sir, none.

Mr. **Rudd**. They live in ———.

Mr. **Armitage**. ———.

Mr. **Rudd**. The way I see it, ——— in that area of the world, and they have the most to lose, and of course the Soviets are delighted to see both of them kick the hell of each other, so that they might move in on it. There has been a report that the Soviets are providing a lot of armament for the Iraqis.

Mr. ARMITAGE. And the Iranians.

Mr. RUDD. And the Iranians too. I don't know where we stand on that, but it is to their advantage to see them both weakened and destroyed really. ———.

Mr. ARMITAGE. First of all ———.

We have had in the past some indications that ———.

Mr. RUDD. ——— has been instrumental in this?

Mr. ARMITAGE. Not the government but I say to you we have evidence some businessmen have done this and we have gone to ———.

Mr. RUDD. Nobody knows what is going to happen there, but it appears from what I read in the public news that the Soviets are becoming more interested than they have been in the past, and are really getting a little more involved with the Iraqis. Is that correct?

Mr. ARMITAGE. They have been enormously involved, several billions of dollars worth of ammunition and supplies and what not. I saw for the first time yesterday the use of ———.

Mr. RUDD. Thank you.

Mr. ARMITAGE. Thank you, sir.

Mr. HEFNER. I just mention one thing. You said from a manpower standpoint the ——— but given the situation with oil prices and the economy, you have got to have something to fight with. How much longer, in a stagnant economy like we get reports of the Iranians, how long can they continue this with their economy, and given the price of oil, which is their main——

Mr. ARMITAGE. I will have to provide for the record a figure on the reserves. The Iranians still have a significant amount of reserves, reserve monies, in the billions of dollars, and I will provide that for the record. I just don't have it off the top of my head.

[The information follows:]

Iran's foreign exchange reserves currently stand at about ——— are readily accessible. Readily accessible reserves are sufficient to maintain ——— if revenues were completely cutoff.

Mr. ARMITAGE. Every time we see demonstrations in Tehran or Qom or any of the cities in Iran against the war, we see them followed by some slight battlefield success and the demonstrations go away. The shortages and the queues for all kinds of materials do not go away but the spirit of the Iranian people for this revolution is further inflamed each time there is a small success, so I don't think any of us can competently answer that question.

To the extent Iran is successful, God did it because God is on their side and that overcomes a lot of the shortages to include the oil. The oil shortage hurts Iraq as well.

Mr. HEFNER. I understand that.

Mr. ARMITAGE. ———. Furthermore, the Iranians started with a very great reserve of oil, about 60 billion barrels.

Mr. HEFNER. You know we just recently heard reports that the Iraqis were using poison gas. In turn, is it possible that the Iranians might resort to this?

Mr. ARMITAGE. The Iraqis have used gas in this recent offensive. ———.

Mr. **Hefner**. Mr. Lowery.

Mr. **Lowery**. Thank you, Mr. Chairman.

DEMARCATION BETWEEN EUROPEAN AND CENTRAL COMMAND

Mr. Secretary, would you outline for us exactly what that line of demarcation is between European and Central Command?

Mr. **Armitage**. Yes, sir. Syria and Lebanon and Israel—I am looking at the map—are in USEUCOM. Then you skip Egypt and go to Libya, Tunisia, Algeria, and Morocco. That is all USEUCOM. And north. Egypt west and Sudan, and Somalia—excuse me—Egypt east and Sudan, Ethiopia, Kenya, Djibouti are in US CENTCOM.

Mr. **Lowery**. The rest of Africa is what?

Mr. **Armitage**. It is USEUCOM, the northwest and the bottom half of Africa.

Mr. **Lowery**. The bottom half?

Mr. **Armitage**. Yes, but the horn of Africa is not.

Mr. **Lowery**. Isn't it somewhat of a fiction in the Arab mind, the fact that this ———.

Mr. **Armitage**. There are Arab friends, sir. You have traveled there. It is much more important what you ———.

Mr. **Lowery**. What exactly would the mission of the ———.

Mr. **Armitage**. It is initially to ———.

Mr. **Lowery**. Based where?

Mr. **Armitage**. ———.

Mr. **Lowery**. Where else would they be ———.

Mr. **Armitage**. I hope they wouldn't be ———.

Mr. **Lowery**. Could we fall back should things not go well?

Mr. **Armitage**. ———.

Mr. **Lowery**. Where else do we operate out of?

Mr. **Armitage**. All of USEUCOM, out of our NATO bases. We have the ability to use ———.

Mr. **Lowery**. The next closest base to ———.

Mr. **Armitage**. I would say ———.

ACCESS AGREEMENTS

Mr. **Lowery**. Do we have agreements with ———.

Mr. **Armitage**. Yes, we do.

Mr. **Lowery**. Could you describe them?

Mr. **Armitage**. I would prefer to supply them for the record. It is not my portfolio per se, though I have the policy judgment on it, but I would be glad to supply it to you. If it met with your approval, I would prefer to have someone come up and brief you on it. We do have those agreements, sir.

Mr. **Lowery**. That would be quite satisfactory.

Could you give us some detail of the ———.

Mr. **Armitage**. No, they are not, sir.

Mr. **Lowery**. It seems to be that when they need us we will come arunning. If we need them, forget it.

Mr. **Armitage**. To some extent. When we need them to ———. When we need them to ———.

Mr. **Lowery**. But they are also ———.

Mr. **Armitage.** Exactly, you are right. Whatever they are going to do with us is going to have to ———.

Mr. **Lowery.** How comfortable do we feel with these ———.

Mr. **Armitage.** We don't feel as comfortable as we would like. We would like to have written agreements. Facetiously, but I didn't mean to be rude to the chairman a couple of years ago he was talking about access agreements and said that we still have one for Wheelus Air Force Base in Libya, a written one, and it doesn't do us any good. We feel just as you suggest, if we are needed in the area, we will have access, and that is what we are ———. But we would rather have a piece of paper. It would be easier for working with you; it would be easier for our own ease of mind.

Mr. **Lowery.** What about access agreements with ———.

Mr. **Armitage.** Written, sir, ———.

Mr. **Lowery.** What is the nature of those agreements?

Mr. **Armitage.** They are somewhat different in each case.

Mr. **Lowery.** I assume they are all classified?

Mr. **Armitage.** Yes; I can provide them for the record, copies of each, if you would like, as well as ———. They vary in small degrees, primarily around one point. That point is how much permission we have to have in order to stage through there. In some cases we just have to consult. Consult is a very diplomatic word which means we might do it after, we might do it concurrent, or we might do it before. In some places we have to get permission to stage through. That is the primary difference in all our access agreements, sir.

Mr. **Lowery.** What is the difference getting prior permission as opposed to just informing when we feel like it? Is it totally within our control as to whether we use those facilities?

Mr. **Armitage.** It is never totally within our control, because they can do anything, such as shut off the lights in the airport or have a work stoppage if they didn't agree with our usage. It is not totally in our control. It is joint. No matter what the actual written word is, it is a joint decision.

Mr. **Lowery.** Where do we have the most liberal access?

Mr. **Armitage.** I would say ———.

Mr. **Lowery.** What about ———.

Mr. **Armitage.** ———.

Mr. **Lowery.** ———.

Mr. **Armitage.** ———. I am trying to see how to characterize it. We have not been turned down to my knowledge in anything we wanted to stage from ———. We do not have a written agreement per se.

Mr. **Lowery.** We do have facilities there?

Mr. **Armitage.** ———.

Mr. **Rudd.** Mr. Chairman, will you yield for a minute?

Mr. **Hefner.** Certainly.

TURKEY SITE VISIT

Mr. **Rudd.** I am not looking for sympathy, but next week I am going to fly in commercially to Constantinople, Istanbul. Is there anything that I should look for that might be helpful to us?

Mr. **Armitage**. I have a very good working relationship with my colleague Richard Perle, and Istanbul, Turkey, is in his area. I will get the answer to your question and provide that prior to your trip, sir.

POTENTIAL FOR A REGIONAL MID-EAST WAR

Mr. **Rudd**. There is one other concern that I have. It is with the weakening of both sides, but especially Iraq, that this could erupt into a regional war.

Mr. **Armitage**. Yes.

Mr. **Rudd**. With the Saudis jumping in against Khomeini and maybe some other people too, and maybe Syria going with Khomeini, and a few things like that. It could erupt into a regional war, and I have two concerns.

Mr. **Armitage**. Yes, sir.

Mr. **Rudd**. (1) What will the Soviets do, and (2) if we have a ———.

Mr. **Armitage**. ———.

———.

Mr. **Rudd**. And what will the Soviets do?

Mr. **Armitage**. ———. They are in a very strong position in Syria. They are in a very strong position in Libya. To the extent that the Iranians were more successful, ———. The Soviets couldn't be happier and they don't have to raise a finger.

Mr. **Rudd**. Will ——— be the last or the first to get involved in a regional war?

Mr. **Armitage**. I think ———.

Mr. **Rudd**. I thank you. Thank you, Mr. Chairman.

Mr. **Hefner**. Could I ask just one question, just for—the Soviets have been supportive, supposedly, of the Iraqis.

Mr. **Armitage**. Yes, sir.

Mr. **Hefner**. Could it be that the Soviets would not care if the Iranians were involved in a long, long war anywhere, given the fact that there are so many fundamentalists in the Soviet Union that spill over from the Iranians? Isn't there a lot of fundamentlists in the Soviet Union?

Mr. **Armitage**. There are a lot of Muslims, not necessarily fundamentalists. The Muslim connection has been what has been troublesome to the ———.

Mr. **Hefner**. I didn't think it was a big problem but I got the impression somewhere that there are many millions of fundamentalists in the Soviet Union.

Mr. **Armitage**. I will have to provide that for the record, sir. I will find out.

Mr. **Hefner**. Maybe I just dreamed this.

Mr. **Armitage**. I doubt it.

[The information follows:]

Soviet Muslim Fundamentalists

———.

Mr. **Hefner**. We would like to now move to the Pacific programs and other Persian Gulf programs.

Mr. **Lowery**. Mr. Chairman, I have two more questions.

Mr. **Hefner**. I thought your five minutes had expired. I am sorry.

Mr. **Lowery**. Publicly and privately, the position of the United States on the Iranian-Iraqi war, are they different?

Mr. **Armitage**. Our public posture is that we are neutral in the war but we are trying to cut down the supply of weapons particularly from the Free World, the West, to Iran. Privately, it is no different. I think Henry Kissinger is the one who puts it best ———. We did, however, a year and several months ago, reestablish diplomatic relations with Iraq. We did this because we felt Iraq was behaving somewhat more responsibly on the terrorist front. There have been some questions raised recently ———.

We do feel that with Syria so heavily in the Soviet camp, to the extent we have a ———. Nonetheless, our public and private stance is just as I have described it.

Mr. **Lowery**. A final question. Thank you, Mr. Chairman.

I know it is primarily the negotiations are in the Department of State, but is DOD looking at any kind of a ———.

Mr. **Armitage**. ——— is primarily the responsibility of the Department of Defense, and I would be more than happy to come see you, sir, on that whole issue. We would be irresponsible as a department not to plan for that eventuality.

Mr. **Lowery**. Do we believe ———.

Mr. **Armitage**. ———.

Mr. **Lowery**. I would appreciate being briefed on the situation.

Mr. **Armitage**. Yes, sir.

PACIFIC CONSTRUCTION

Mr. **Hefner**. We will now move to the Pacific program. This is classified but not Top Secret. We are still in closed session.

Mr. **Armitage**. Thank you, Mr. Chairman.

PHILIPPINES

Mr. **Hefner**. Up until now the Navy and Air Force have enjoyed unhampered operations at Subic Bay and Clark Air Base. Do you see any restrictions being imposed by the Aquino government that would affect our operations in the Philippines?

Mr. **Armitage**. As people from my office have had discussions with Mrs. Aquino last week, I can report to you the following. She said, "I have got a lot of problems here in the Philippines, and everybody knows it. ———.

Now, we will be engaged in 1988 in another relook at the base agreement, and we intend to go about it just as a business-as-usual event. The Minister of Defense and Mrs. Aquino have told us they look forward to the discussion—we refuse to call it a renegotiation ———. Every poll since the end of the war has shown that the great majority of Filipinos support the continuation or the increased use of the bases.

Mr. **Hefner**. The Air Force and Navy request for fiscal 1987 amounts to $73 million. In view of the change in government, is it wise to make this significant investment at this time? In other words, are these facilities so necessary from an operational standpoint that some of the projects can't wait another year until things have had a chance to shake out and settle down?

Mr. ARMITAGE. Mr. Chairman, you ask a very unfair question. I don't think there is anything that can't wait another year anywhere. That is not the point here. If Marcos were still in—well, I can't answer any other way, you would think me a fool.

Mr. HEFNER. No, no, no.

Mr. ARMITAGE. I will tell you why. We have waited 40 years for what we are requesting in a runway. If President Marcos were still in power today and we were having the problems that we were experiencing a year ago, then such a request would have been foolish. We feel right now that we have the best opportunity to continue unhampered usage of those facilities in the Philippines. We have for the past 40 years been using one runway at Clark Air base. If you have flown in there very often you may have experienced what I experienced the last time I flew in there—having to circle the base while they towed an aircraft off the runway. We have had to make repairs piecemeal. We shut it down. When we had this with our Asian friends we flew 7,000 sorties from Clark Air Base. I am here pleading for that $32 million so we can get a parallel runway. I am also pleading for the other projects we have listed in our DoD form just to make it more comfortable and more livable for our troops. You will note in our request for 1987, we do not have any security upgrades. That is because we have a reprogramming action in front of your committee now to take fiscal year 1986 monies, $4.8 million, to make the needed security adjustments rather than adding them on to the 1987 Milcon request.

Mr. HEFNER. I thought we just approved that.

Mr. ARMITAGE. Terrific.

Mr. HEFNER. Let me be the devil's advocate. I don't know Mrs. Aquino and I definitely don't know Mr. Marcos.

Mr. ARMITAGE. You wouldn't admit it if you did.

Mr. HEFNER. I want to be on record.

Mr. LOWERY. He is moving to New York.

Mr. ARMITAGE. The documents are going to be made public today, so we will know.

Mr. HEFNER. Maybe he will open a textile mill in North Carolina.

Mr. EDWARDS. He is going to open a shoe store.

Mr. RUDD. When they get through with him, I hope he can't afford to.

Mr. HEFNER. Everybody gets their one-liner in.

You have said that nothing can't be postponed as we are faced with a lot of things. But given the fact that Mrs. Aquino is just coming in, if we started with a new runway and it looked like we were being ambitious here before she gets her feet on the ground, could that be any impediment to her for establishing her control and her support for the bases? I mean, have you talked with her about it?

Mr. ARMITAGE. No, we haven't talked with her about it.

Mr. HEFNER. Don't you think you should?

Mr. ARMITAGE. We do not have to.

Mr. HEFNER. I know you don't have to.

Mr. ARMITAGE. But we would. We don't have to because it is our facility on their base, but of course we would. Let me put it another way, and I understand you're being the devil's advocate. ———.

I would argue, to the extent we can show that we are planning to go about business as usual and stay in the Philippines, we will strengthen our hand in Asia in general, we will strengthen our credibility with our ASEAN friends ———.

Mr. HEFNER. Your report indicates increasing evidence that Iranian or Libyan influence groups are in place in the Philippines and that these organizations could facilitate terrorist operations in such areas as intelligence or support, safe haven, arms acquisition and communications. Can you expand on why the Philippines is a target-rich environment for foreign government-sponsored terrorism, and is it a less fertile ground now than it was before?

Mr. ARMITAGE. I couldn't say it is less fertile ground now. We have Iranian and Libyan students in Manila, for the most part. They also have some involvement in the Sulu Archipelago with the Muslim population. They have been very active for several years. They are students primarily. They are aided financially by the Iranian Government, and it has just been a lackadaisical attitude in my view on the part of the Philippine authorities which has allowed them to have these activities. We have not approached Mrs. Aquino on the Iranian threat yet. We have, however, seen in the past couple of years occasions where we receive ———.

When this happens, we have gotten ——— but we have not yet approached Mrs. Aquino.

Mr. HEFNER. The National People's Army had grown rapidly under the Marcos regime. Do you have any indication that under President Aquino their growth may be inhibited, at least temporarily? You said that there were still fertile grounds. What do you mean by that. Is it because of the economy and current living conditions?

Mr. ARMITAGE. Yes. The economy—in real terms, the corruption aside, Marcos would be sitting in Malacanang today if the economy were better, and that is the fact. It is the economy that brought the people out in the street, nothing else. Mrs. Aquino recognizes this. She spends the great majority of her time addressing the economic problem. This primarily is what gives fertile ground to the growth of the New People's Army, NPA.

If you ask me today how many are in the New People's Army, I would say 20,000 full-time guerrillas. This is with weapons, and they do this for a living. There are another about 15,000 New People's Army advocates, who are part-time guerrillas. Mrs. Aquino has declared an amnesty and will have approximately six months in which that amnesty will be valid. I have not seen yet people coming down out of the hills. It is very difficult to leave the New People's Army after you join them. You can say you want to leave, that you are not really a communist, you are only angry at the Marcos conditions and that is why you joined. ——— so I frankly don't expect a great deal of disenrollment from their ranks.

Mrs. Aquino has most of the leaders of the New People's Army and the Communist Party of the Philippines, including Jose Maria Sission. These are the masterminds behind this whole communist strategy. She met with him publicly and said: Look, I am going to let you go out and you can take part in political activities in a legal way.

He said: Thank you very much.

And our information is that he is heading for the hills ———.

Mr. HEFNER. What is the population of the Philippines?

Mr. ARMITAGE. Fifty-three or fifty-four million, sir.

Mr. HEFNER. Mr. Edwards.

Mr. EDWARDS. Thank you, Mr. Chairman.

If we assume that Mrs. Aquino's victory is going to lessen the support for the New People's Army, and they thus become less able to achieve militarily what some of their objectives might be, might that not cause them to change their strategy as usually happens in such a case, and resort more to hit and run terrorism? And if so, do you have any real fear that some of that might be directed against us in Subic and Clark?

Mr. ARMITAGE. Congressman, I think the short answer is ———.

You probably read in the paper this morning a lot of statements and charges about heightened activity by the New People's Army in ambushes, et cetera. I read in the Washington Times or elsewhere that this was the case. ———.

Mr. EDWARDS. If there were a truly increased risk, then, of these kinds of terrorist activities, and if they might in the future be aimed at us, how do you assess our security at particularly Subic and Clark, and also in conjunction with that, what role are the Filipinos playing in the security of those bases?

Mr. ARMITAGE. The last question first, sir. Under the military basing agreements, the Filipinos have perimeter security responsibilities. That is not limited to the Filipinos. The United States may and can augment with the permission of the Filipino commander. We have internal facilities responsibility. First of all, two different problems. Clark is a real problem for us. Twenty-six miles of perimeter fence. Clark is in the home province of the NPA, it was also in the home province of the Huks in the late '40s and early '50s. The Province is a political hotbed and always historically opposed to whoever sat in Manila. So it is a real problem.

As far as security at Clark, we have over the past year beome a lot better off. We are more alert. We have a lot more concern. We are a lot smarter. We now have on- and off-base searchers as well as entry searches of all vehicles and people. We have over ——— air policemen full time involved in facility security responsibilities. We have ——— local hires, additionally. We have ——— dog teams now at Clark. We have mounted patrols, horse-mounted patrols at Clark. Security is something we are working on every single day. But is not as good as we want it.

I have to say another aspect of our security at Clark has been the reaching out by the Air Force into Angeles City, which is the contiguous town, in rendering medical and other types of humanitarian assistance. We have found not only do we have better relationships with the locals but we are getting a lot better intelligence about potential problems. But the problem at Clark is an enormous one.

The problem at Subic is somewhat different. First of all, water surrounds parts of the base and that eases our problem somewhat.

Very heavy jungle covers another part of the base. In fact, we bring our Marines down from Okinawa, a battalion at a time, to train in the jungle right on Subic, so this is on the one hand a hindrance to those who might want to attack the base, but is a great aid to those who might want to infiltrate the base.

The security problem at Subic is much more enormous. We have about ——— Marines who provide full-time guard duty there, U.S. Marines. We have another ——— local Filipinos who were trained over the last year. Our Sea Bee battalion issued them camouflage uniforms, gave them weapons and trained them to be a responsible team. They reacted very well, as you would expect sailors who get attacked by Marines would. We do now have the ARG and the MAU, the Amphibious Ready Group and Marine Amphibious Unit, much closer to Subic than was heretofore the case, so they can rapidly reinforce.

———. We are in a lot better shape than we were a year ago, but we are not where our commanders want us to be yet, sir.

Mr. **Edwards**. Just one more question. The picture that you point about the prospects for remaining in the Philippines is a good picture.

Mr. **Armitage**. Yes, sir.

Mr. **Edwards**. I assume that there is some contingency planning taking place in case we should have to move. Could you just quickly tell us what we are doing about preparing to go somewhere else, should that become necessary?

Mr. **Armitage**. Yes, sir. The contingency planning, however, took place long before we had a problem in the Philippines. I recently sent to the chairman a report on other locations or alternate locations which is what the report called for. We would limit these other locations primarily in to ———. The costs associated with the move in terms of sunk costs for a facility are about ———. If we wanted to keep the same capabilities we have now and we had to move. That is for openers.

The second thing is we would face enormously difficult ———.

The fact is there are no good alternatives. There are just other locations and at the end of the day we would find ourselves in a grossly inferior position. The biggest thing about Subic is the strategic location. Secondarily, it is the capabilities that we have there. We would never duplicate that strategic position. But we have done the paperwork and the planning necessary to move, and we can show you where different units would go under our plan, if we had to move them, sir.

Mr. **Edwards**. So eight or nine hundred million dollars in assistance to the Philippine Government may not be a bad investment?

Mr. **Armitage**. That is the way we look at it, and I hope the Congress will look at it that way. We haven't made up our mind what the follow-on support will be for the Philippines. I hope it is not that high.

Mr. **Edwards**. Thank you.

Mr. **Hefner**. Just a brief question. Just give me a brief answer.

Mr. **Armitage**. Yes, sir.

Mr. **Hefner**. Recent news reports indicate the formation maybe of a private army which is controlled by Marcos' friends and cronies. Would you put much credence in that, or is this something that was expected to happen?

Mr. **Armitage**. Prior to the downfall of President Marcos there were many private armies, the most notable of which belonged to Dandig Cojuangco, who fled with Marcos to Hawaii. Cojuangco's army numbered ———. There were many private armies in the Philippines primarily surrounding private corporations, coconut plantations, beverage factories, logging interests in Locos Norte, the home province of Marcos, and these still exist to some degree. ———.

Mr. **Hefner**. ———.

Mr. **Armitage**. You are in the realm of speculation.

Mr. **Hefner**. They are mercenaries?

Mr. **Armitage**. They are now.

Mr. **Hefner**. So they have got to be paid. They are not patriots. They are not out there with any gripe. They are out there for the bucks, right?

Mr. **Armitage**. You bet. And in the realm of speculation, what you suggest might be possible. The fact is that they are wanted in no quarter, they are held in such low esteem now, and they are an outlaw group that the Armed Forces of the Philippines is going to have to deal with. I have no indications of any formation of a subsequent private army other than the ones that existed prior to Marcos leaving the country.

Mr. **Hefner**. Mr. Coleman.

Mr. **Coleman**. Thank you, Mr. Chairman.

I am concerned, the elements that you told us are there and can cause the United States some serious problem for security at Clark Air Force Base, for example. You are reprogramming a request of $4.8 million I believe it was, You call it minimal essential. Could you tell me what kind of follow-on is going to be requested, what we are looking at, if in fact you want to create real problems in the Philippines for us, you have told us who all are there, it kind of makes me think we have got to have some follow-on.

Mr. **Armitage**. Sir, in 1988 the Air Force and the Navy have indicated in the DoD form coming up to you, that a couple of million dollars in further security items will be needed. We took care of our immediate security needs, we felt, with this reprogramming, as I have just heard you have authorized.

We have taken care of our short-term needs by our own international housecleaning, and that is just the phrase to use. We have put a very big burden on our commanders, and I feel much more secure in testifying to Congress about the situation now than I did a year ago, but we are going to request a couple of milion dollars in 1988. I can give you the specifics. I have it somewhere, but it is more barriers, barricades, lighting, guard tower, things of that nature.

Mr. **Coleman**. Are the commanders there now telling you that what we are doing right for this year is going to be adequate? When you say minimum essential, I guess that is what worries me the most about it.

Mr. **Armitage**. They only have to take possession of the monies. The materiel they can put into effect immediately, and they are working with the Filipinos. This is what they say they can get done this year. This is external. Internally, we can continue our own efforts to heighten our own security consciousness and patrolling techniques. I don't think any commander would stand and tell you that he has done everything he could. If he does, he is a fool. If he did, he is a fool. But he will tell you that he has done X, Y, and Z today and he is going to A, B, and C tomorrow, and we continually push it.

Mr. HEFNER. Mr. Rudd.

Mr. RUDD. Thank you.

I hope you will find it possible to maintain that beautiful gold course there at Clark Air force Base. The last time I was there, we went out into the hills, where you have all of the targets for the Operation Thunder.

Mr. ARMITAGE. Crow Valley.

Mr. RUDD. And at that time our people could walk in and negotiate with the people on the land to build their targets and to maintain them and everything, but the Philippine Army didn't dare go in there, which is explained by what you are saying here on the various armies and that sort of thing. So it seems to me that there is no change in that, and maybe the situation might be exacerbated, but there is a great question in my mind regarding the loyalty of Secretary of Defense Juan Ponce Enrile and General Ramos.

I know they are portrayed as great patriots, but one wonders whether or not they saw the handwriting on the wall and in order to protect their own backsides they decided to switch in a hurry and get over on the right side, presumably. And whatever the reason, the question of credibility has got to be in the minds of not only Aquino but everybody else that is around them, and every soldier in the military. At least there would be if I were serving in that military. So I don't know how effective they are going to be. I don't know whether everybody else does or not. I would like to know what you think on that, together with the fact of this switchover, how effective the army will be with regard to the New People's Army.

I would just like you to address what we are talking about here in the best way you can, with regard to the departure from prison of the New People's Army communist leader.

Mr. ARMITAGE. Sisson.

Mr. RUDD. He did what everybody knew he would do, and I can't understand why Aquino would permit that to happen if she has got any sense at all. He goes right back out, and he is out where he can really raise hell now. But maybe this is a chance if the army knows what they are doing, to remove them from the picture.

Mr. ARMITAGE. ———.

Mr. RUDD. It is something that they have to think about. Maybe we don't, but they certainly have to think about it, coupled with the fact—well, if you can address those problems and how you see them, and the two key players here for the military. I don't have any other questions. But before you answer, let me just say what you have stated with regard to the enormous, impossible expense of finding new bases should mean that we are going to dig in for sure, and it should mean that after 40 years there will be no question about that second runway which we desperately need. And in the event of any kinds of hostilities, we will have the emergency that requires the use of those bases.

But on the other side of the overall picture there, with the disloyalty, the departure of the top communists, whether Aquino really has the ability—she doesn't have any experience—to bring this together or not, how do you see all that?

Mr. ARMITAGE. First of all, thank you very much for that comment about the runway. I have to note regarding the Philippines it was you last year in this very hearing who set a very good tone and highlighted the whole situation in the Philippines. I remember our discussion very well. I think anyone who read the record of that would see that this subcommittee was involved very early on as to awareness of the problems in the Philippines.

I want to take exception to one of the things you said about the regard in which the AFP is held. A month ago the AFP, Armed Forces of the Philippines, was held in the lowest possible regard by the widest possible body of opinion in the Philippines, for well-known reasons. After Marcos left the Malacanyan Palace, we find in the short term, as of today, there is a much different view of the AFP. If you go to Manila today, you see a different army walking around. You don't see guys there in there in their barongs. You see guys in combat uniforms walking around. You see guys who have weapons on their shoulders and you see fewer because Ramos is getting them out to the field.

In the short term, there is an esprit the people in the Philippines are finding similar to that after their successful putting down of the Huk rebellion. The question is whether it will last.

I think her real concerns, though, are not the military right now. Her real concerns are jockeying within her own organization, people power. This is what Cory Aquino stood in front of, no political force. Now she has got a prime minister and vice president who has got his own functioning political entity, UNITO. She has a minister of internal government, Pementel, who is another presidential candidate who has the Laban Party. Mrs. Aquino doesn't have a party. She has people power, so her real problem is going to be to try to develop a political machine out of these disparate groups. Whether she will be successful or not I don't know. Everyone says exactly what you said, Congressman Rudd. She is inexperienced. Everyone also stood back and marveled how she, day after day, turned up the heat on President Marcos a little bit. One day she called the garment workers out into the streets, the next day the water works people. She turned the pressure on slowly and steadily, and she never lost her cool during that campaign. So I would submit that she is rather formidable.

I will have a chance myself to gauge first hand, in two weeks, how formidable she is. I am going to meet with her and discuss the bases and our aid package. Whether the army will be effective against the New People's Army is a real question.

Mr. RUDD. Where does Laurel stand in all of this?

Mr. ARMITAGE. ———.

Mr. RUDD. For one thing, Aquino turns loose the leader of the communist group over there. Was this wise? Was it patriotic? Was it smart politically? Does she realize that she poses a difficult problem for herself that she didn't have to pose, or was it a political thing that she felt she had to do? Is she leader enough to handle it?

Mr. **Armitage.** ———. The armed forces of the Philippines are blessed—I use the word deliberately—with some things, blessed with a large manpower pool, blessed with a great knowledge of the region in which they will be fighting, blessed with a great counterinsurgency tradition. They have been successful in several counterinsurgencies. ———.

Mr. **Rudd.** Ramos has the total confidence of the army?

Mr. **Armitage.** He has the short-term total confidence of the army because he has done what he said he would do. ———.

This does two things: One, presumably, it will increase the professionalism and true leadership in military terms that exist in the armed forces of the Philippines, and two, it clears out the deadwood, and allows some of these fellows who have been arguing for a chance for promotion to come up.

Mr. **Rudd.** Thank you for a good picture.

Mr. **Hefner.** That is not characteristic of colonels, is it?

Mr. **Armitage.** I will defer to the colonel. I was a lieutenant.

Mr. **Hefner.** When you say some of these people came over, we weren't there beating the drums all that early. Mrs. Aquino demonstrated a lot of courage and a lot of people power before we really said "hey." We weren't really on the band wagon early there.

Mr. **Armitage.** With you permission, I have got to argue with you, Mr. Chairman. Two years ago Paul Wolfowitz and myself led off congressional hearings that were very critical. ———.

Mr. **Hefner.** I am not being critical. I am talking about the powers that be, that could make a statement, that there weren't statements of any crtiticism.

Mr. **Armitage.** I understand. I don't want to pick a fight, ———.

I would hope that you would view the statements of Mr. Shultz and Mr. Weinberger and the President against that backdrop. ———.

Mr. **Hefner.** I am not being critical because it seems that we won one, and that is good. You can be in any position you want when you win one.

Mr. **Armitage.** Success has a thousand fathers.

Mr. **Hefner.** Absolutely, Mr. Lowery.

Mr. **Lowery.** Are you saying you don't want to shoot your silver-bullets too early?

Mr. **Armitage.** I am not.

Mr. **Lowery.** What exactly is it you are saying?

Mr. **Armitage.** What I am saying is that when a situation gets difficult, and we are faced as we were in the Philippines with a very difficult situation, ———. We felt we needed the time to develop that kind of thought.

I guess you could use the term shoot your silver bullet too early, but we could have ———.

Mr. **Lowery.** Or have some rather unsavory characters?

Mr. **Armitage.** The worst, yes, sir.

Mr. **Lowery.** As happened in Iran?

Mr. **Armitage.** The worst yet, exactly.

Mr. **Lowery.** I have a number of questions.

Mr. **Armitage**. Yes, sir.

Mr. **Lowery**. The runway in particular.

Mr. **Armitage**. Yes, sir.

Mr. **Lowery**. At Clark, if it is of such importance, when we had so many sorties going through there during the Vietnam War, why didn't you put in the improvements then? It was not on your watch, but I am curious. $35 million now?

Mr. **Armitage**. Thirty-two. I don't know the answer.

Mr. **Lowery**. It would have been significant.

Mr. **Armitage**. That was as much as 20 years ago, and I don't know the answer, sir. I would have to suggest—maybe someone knows the life of a runway.

General **Ellis**. There was a life of the runway, but we had alternatives—Cam Ranh Bay, Danang—to Clark. Today we don't have any guaranteed alternatives.

Mr. **Lowery**. You mentioned the RAM?

Mr. **Armitage**. We found the RAM, the reform movement going the length and breadth of the Philippines—not all 7,000 miles but a whole bunch of them. They were doing this on unofficial travel. ———.

Mr. **Lowery**. What is the current status of Marcos and his entourage? Where may they be headed?

Mr. **Armitage**. Most of them have moved off base. We have a fellow in ———.

Mr. **Rudd**. Will the gentleman yield?

Mr. **Lowery**. Sure, I yield.

Mr. **Rudd**. I understood that ———.

Mr. **Armitage**. ———.

Mr. **Lowery**. How many are involved in this entourage? Are they going to move as a block or would many stay in the United States?

Mr. **Armitage**. I would suspect many would stay in the United States. There are 90-odd people or so who are at Hickam. More than half have moved off to different locations. I wouldn't suspect more than 22 or so to travel with Marcos to wherever it ultimately is. That includes retainers, servants, maids, things of that nature.

Mr. **Hefner**. Shoe salesman?

Mr. **Armitage**. Perhaps, sir.

Mr. **Lowery**. The status of the possessions; are they under our control?

Mr. **Armitage**. Yes, they are under our control, sort of as a friend of the court. The U.S. is in sort of a friend of the court role. We reviewed all last night the documents preperatory to turning them over to the authorities, the documents that came into our possession.

Mr. **Lowery**. But we are being quite cooperative.

Mr. **Armitage**. And fully open, yes, sir, with the Aquino government as well.

Mr. **Lowery**. Mr. Secretary, you talked I think of ———. It is just awesome in terms of replacement value to gain approximately the same impact we have. What exactly is the deterrent capability in the Philippines, and why not a fallback to Taiwan or Indonesia or Thailand or Burma? What exactly do we lose? Could you delineate that?

Mr. **Armitage**. Yes, I would be more than happy to. If I can take the second part first ———.

Mr. **Lowery**. ———.

Mr. **Armitage**. ———.

Our deterrent value at Clark and Subic is primarily, as I said, the strategic locations ———. The most important thing outside of ship repair—and we repair up to 275 ships a year at Subic—is the capability to surge either to the Northwest Pacific area or down into the Indian Ocean through the Straits of Molacca, et cetera. Subic is a hub, and our ability to surge and to move tremendous amounts of cargo through there, and through Clark Airfield, is where we really have a great advantage in that location.

Mr. **Lowery**. Wouldn't we be able to do a fair amount of that ———.

Mr. **Armitage**. ———.

Mr. **Hefner**. Would the gentleman yield?

Mr. **Lowery**. Yes, I shall.

Mr. **Hefner**. The labor cost is probably going to go up in the Philippines with the new government, in that it is oriented towards trying to build a better quality of life and living conditions for the people?

Mr. **Armitage**. Yes. I am not sure it will go up. I think it depends on if they get a handle on the inflation somewhat. I am predicting a better economic situation in the Philippines, in about a year's time, because of a number of things. We have steadily increased wages, as you would expect, over the past 30 years in the Philippines. They have not kept pace with the increases in Guam, Japan or anywhere else. Yes, they will go up. I suspect they will go up at a slower rate than they do in Guam.

Mr. **Lowery**. What is the primary Soviet mission down in that part of the world? Do the Chinese have to be concerned with a second front?

Mr. **Armitage**. I think what they primarily get out of it is ———. We have to take it into consideration.

———.

Mr. **Lowery**. Do we see much Soviet involvement with the New People's Army?

Mr. **Armitage**. ———.

Regarding the New People's Army, the New People's Army is the military wing of the Communist Party of the Philippines, which has been basically Maoist. That Communist Party of the Philippines split in 1968-1986 from the PKP, the Partido Communisto, UNK, Filipinos, which is the Moscow-oriented Communist Party which exists legally in the Philippines because it has eschewed all violence. ———.

Mr. **Lowery**. We are not seeing much activity by the Maoists, are we, around the globe?

Mr. **Armitage**. ———.

Mr. **Lowery**. They are terribly venturesome in Africa, or were some years back?

Mr. **Armitage**. Some years ago with their transcontinental railway and all of that, but they found it a very expensive endeavor and one which bore no fruit.

Mr. **Lowery**. What is the assessment—you commented a little bit earlier on President Aquino's policies. Do we have any knowledge as to which direction she will move in, land reform, for instance?

Mr. **Armitage**. I have to comment on her cabinet. Of the 13 or so major players, ———.

Mr. **Lowery**. What is his portfolio?

Mr. **Armitage**. I forget the exact name. It has to do ———.

Economically, we find her policies, as announced, very benign. She has kept Jose Fernandez, the director of the central bank, and this gave a great deal of confidence to all of the international lenders, the IMF, and others. She has done exactly the right thing. She hasn't thrown her hands up in despair. She hasn't frightened away the Filipino money that has been resting offshore. She has been encouraging its comeback by saying, correctly, she has a bad economic problem but it is not as bad as many other countries face around the world. We happen to agree.

The military sphere she has left entirely to Ramos and Enrile, which is fine right now. I am not sure right now she controls the military. She will get to that. In the area of land reform, she has announced this is one of the first agenda items. She hasn't moved on it. She has got to, rather rapidly in my view, get out of the public campaigning and the rallying and get down to the serious business of governing. She appears ready to make those moves, at least recent visitors have reported her talking about her plans. She has not put them into effect.

Mr. **Lowery**. The one big break with the military, the release of the Che Guevera of the Philippines; how difficult a problem is that?

Mr. **Armitage**. I think it is ———.

Mr. **Lowery**. Partly his capabilities as well as strains and problems in the military. I mean, politically it was a great statement. It shows she is in control and there is something to be said for the mood of reconciliation. How big a problem is it?

Mr. **Armitage**. In my view it is a ———.

Mr. **Hefner**. Is he a Maoist or a Marxist?

Mr. **Armitage**. He is a Marxist. he is reminiscent of nothing so much as ———.

Mr. **Lowery**. Might that cause ———.

Mr. **Armitage**. Yes, sir, it might, ———.

Mr. **Lowery**. Thank you, Mr. Chairman.

Mr. **Hefner**. I would like to ask one question. What security measures or plans are being made to protect the 43-mile fuel pipeline between Subic Bay and Clark?

Mr. **Armitage**. ———.

Mr. **Hefner**. ———.

Mr. **Armitage**. With your permission, we will let a true expert talk, Colonel Larimer.

SECURITY AT SUBIC BAY AND CLARK

COL NEIL LARIMER, USMC, DEPUTY OFFICER FOR LOGISTICS AND SECURITY ASSISTANCE, USCENTCOM, OFFICE OF SECRETARY OF DEFENSE

Colonel **Larimer**. Sir, currently at ———.

Mr. **Hefner**. You are using, I guess, O&M funds?

Colonel **Larimer**. Yes, sir. ———for the facility upgrade and ——— minor construction.

Mr. **Hefner**. Do you anticipate any requirement for military construction funds?

Colonel **Larimer**. No, sir, I do not, not at this time.

Mr. **Hefner**. The U.S. has built access facilities in the Persian Gulf area ———.

Mr. **Armitage**. ———. Perhaps one of my colleagues has the full details.

Has anybody got it?

Colonel Kirkpatrick. Lieutenant Colonel Kirkpatrick. ———.

Mr. **Armitage**. ———.

Mr. **Hefner**. ———.

Mr. **Armitage**. We have had some discussions with the ———.

Mr. **Hefner**. ———.

Mr. **Armitage**. ———.

Mr. **Hefner**. Give us these names.

Mr. **Armitage**. I apologize. ———.

Mr. **Hefner**. The Air Force has requested ———. Do you plan to consult Congress on this matter?

Mr. **Armitage**. We would certainly consult Congress. I am totally unaware of it. You have information that perhaps I don't have.

Do you know anything about this?

General **Ellis**. Only that it has been suggested that we negotiate.

[**Clerk's Note**.—The following questions were submitted by Mr. Hefner:]

Question. The United States-Philippines Military Bases Agreement of 1947 can be terminated by either party after 1991 with a year's notice. Is it too early to speculate 5 years down the road as to what could happen after 1991?

Answer. Based on public opinion polls within the Philippines and on statements of Filipino government officials, we believe that our prospects for remaining in the Philippines after 1991 are excellent.

Question. What type of assurances have you received from the Aquino government that we will not be required to relocate the facilities even after 1991?

Answer. ———.

Question. Could you discuss what alternatives or scenarios are being considered in the event our presence in the Philippines is terminated?

Answer. A comprehensive discussion of this subject is contained in a classified DoD Study that was provided at the subcommittee's request on 1 March 1986.

Question. What about other nations in that part of the world that support our mission in the Philippines such as Singapore, Japan, Australia and New Zealand? What influence would they have in the Philippines?

Answer. ———.

Question. According to Naval planners, the loss of the Philippine facilities would require ———. Would you briefly explain why this would be required?

Answer. Philippine facilities are the best location in the Western Pacific to support US commitments in both Northeast Asia and the

Indian Ocean region. Few locations are more capable of controlling the vital sea lanes that link Persian Gulf oil with the industrial capacities of Japan and the Republic of Korea. Over 4,000 merchant ships ply these waters each month. By contrast, USN ships operating from facilities in Guam and the Northern Marianas would require an additional four days of steaming time to reach these sea lanes. Therefore, to be capable of projecting superior forces into the area, if needed, and to demonstrate, by maintaining forward deployed forces in the region, that it is willing to do so if its vital interests are threatened, the Navy would require ———.

Question. You have indicated how vital these two bases are to our forward deployed strategy and that there is no better alternative without significant investments. Is your plan to keep contingency and alternative basing plans active even though indications are that the Aquino government supports our presence in the Philippines?

Answer. Our strategic planning for the Western Pacific, as with all regions, is an ongoing process that will continue.

Question. Do you foresee such terrorist operations being more of a framework where operations can be launched against other countries or will it be targeted toward U.S. bases in the Philippines?

Answer. ———.

Question. According to a news article, fighting is still continuing despite calls of cease fire. That particular article reported continued growth of the New Peoples Army on the island of Negros where fighting was reported. Could you comment on this? Is the fighting localized?

Answer. We can neither confirm nor dispute the article's assertion of the continued growth of the NPA on Negros. We can say that NPA terrorist activities continue in widely scattered areas of the Philippines.

Question. The article also commented on the guerrilla army's spokesman who is demanding the removal of Defense Minister Juan Ponce Enrile and armed forces Chief General Fidel Ramos. Could you provide us with some insights on the ability of the Aquino government to resolve this conflict?

Answer. ———.

Question. National Peoples Army's capabilities to infiltrate the bases are considered good. According to a vulnerability survey, anti-American operations might involve sabotage of poorly secured targets such as the pipeline or communications towers. Can you comment on the likelihood of such sabotage given the current political climate in the Philippines? Is the risk of sabotage less?

Answer. ———.

Question. Could you explain what contingency support has been developed for pipeline emergenices?

Answer. ———. Moreover, ample fuel reserves at Clark would be sufficient to support operations until the pipe was repaired.

ECONOMIC THREAT

Question. The greatest risk to the U.S. presence in the Philippines will depend on whether the new Philippine government implements a meaningful social, economic and political change. Does it appear to you that President Aquino's policies are working or is it too early to make any predictions? Would you elaborate on this?

Answer. It is simply too early to pass judgment. However, the appointment of several competent businessmen, Jaime Ongpin as Finance Minister and Jose Concepcion as Trade and Industry Minister, and the retention of Mr. Fernandez as head of the Central Bank have evoked international approval.

Question. Philippines—Foreign Threat from Soviet Union—what do you think Moscow's position will be if the insurgency lessens? Do you expect they will resort to covert activities as opposed to financial and arms support for insurgencies?

Answer. ———.

Question. How much O&M funds will be spent in support of ——— in fiscal year 1986 and fiscal year 1987?

Answer. In FY 86, we anticipate spending ———.

[CLERK'S NOTE.—This concludes Mr. Hefner's questions.]

ACCOMPANIED TOURS—KOREA

Mr. **HEFNER**. I have a couple of questions. What is your opinion of the Air Force and the Army plans to pursue expansion of accompanied tours in Korea? The Army has indicated they have not come to a decision as to whether they should increase accompanied tours in Korea. The Air Force, however, has adopted a policy of expanding the number of accompanied tours but is now rethinking of time-phasing that policy. What is the position of the Secretary of Defense on increasing accompanied tours given the budget environment that we face?

Mr. **ARMITAGE**. I think the position of the Secretary of Defense—and I would like to ask permission to go back and ask him—is that he follows the Army's line, and the Army is not opposed to the increase of accompanied tours. We have got a bit of a problem in that there are many dependents of unaccompnied personnel living on the economy in Korea right now, but the Army wants to make sure that the benefits that accrue to us in terms of not having such frequent relocations of our soldiers and the learning curves that soldiers will not have to engage in are such that it warrants that kind of expenditure.

I believe General Wickham has looked at this problem and indicated that he is not going to rush into a decision, that he wants to make sure it is the right fiscal decision and makes sense from the Army's point of view, and is not looking for any great change to the late '80s or early '90s.

Is that fair, General?

General **SCHROEDER**. That is accurate. The command has asked for authority to increase the accompanied tours but to what scope has not been defined. As Mr. Armitage described, General Wickham wants to analyze that both from a fiscal point of view and from the impact both on soldiers and their families moving point of view. That is going to take a while to do.

Mr. **COLEMAN**. Will the gentleman yield for a second?

Mr. **HEFNER**. Certainly.

Mr. **COLEMAN**. In that regard, can we get General Wickham's analysis in terms of the cost factor part of that? I would really appreciate you providing that to us for the committee for our records. I don't have those kinds of numbers really available, because if we are only going to speak to the issue of Korea that is fine, and I suspect it would vary widely from site to site. I am very interested in that particular question.

General SCHROEDER. Yes, sir, when the information is available.

Mr. COLEMAN. Thank you.

[CLERK'S NOTE.—The following question was submitted by Mr. Hefner:]

Question. The Army and the Air Force have not been able to tell us how much the policy of increasing accompanied tours would cost. Don't you think that before such a policy is adopted it should be carefully analyzed as to the cost involved?

Answer. The Services believe that the increased cost of accompanied tours that would be associated with MILCON required in Korea would be more than offset by higher morale, better discipline and improved readiness. The Department, however, is aware of the Congress' stated position on fully accompanied tours, and no resources have been requested or committed for any expansion beyond that already specifically authorized by the Congress. Should the Department find in the future that additional accompanied tours are economical and practical, based on studies, the proposals and studies will be presented to the Congress for approval before any projects that support additional accompanied tours are included in the budget.

CARETAKER FACILITIES—OMAN

Mr. HEFNER. I have one other question. The Air Force has requested $6.9 million for caretaker facilities in Oman. These funds would provide billeting, recreation and dining faciltiies for the contractor personnel in Oman. As I recall, there was a concern expressed in last year's hearings about this contract being restricted ———. Tell us, has an the annual caretaker contract been awarded, and to whom?

Mr. ARMITAGE. I will ask Colonel Kirkpatrick to address that. It has been awarded. There was a source selection that our Air Force made. I think Vinnell Air Work.

Colonel KIRKPATRICK. The contract was awarded in September of 1985, and it was awarded to a consortium British firm, Air Work, and a U.S. firm, Vinnell. It is true that the ——— at one time had asked for a sole source award. We considered ——— and ultimately awarded the contract based on U.S. competitive bidding procedures.

[CLERK'S NOTE.—The following questions were submitted by Mr. Hefner:]

Question. Specifically, what is the Scope of Work and do they support in any way the day-to-day operations of the Omani Air Force?

Answer. The caretaker contract does not support the operations of the Oman Air Force in any manner. The caretaker contract provides for the receipt, storage and recurring inspection and maintenance of prepositioned U.S.-owned assets at three geographic locations in Oman. The Scope of Work requires the contractor to maintain all of the prepositioned assets (vehicles, HARVEST FALCON equipment, conventional munitions, etc.) in accordance with the published Air Force standards and technical orders. The maintenance includes corrosion control, inspection, cleaning, operational checks and protection from the desert environment. The contractor must also operate a satellite base supply system and provide a satellite communications link between the Oman sites and the U.S.

Question. Explain why 81 people are necessary for caretaker activities at Masirah and why 67 people at Thumrait are necessary for caretaker activities.

Answer. The number of contractor personnel at each location is a function of the quantity and types of materials, equipment and vehicles. The caretaker contract was competitively bid and the number of personnel selected by the bidder, based upon its evaluation of the statement of work. The Air Force experts reviewed the bid proposals for adequacy. The Masirah facility was programmed with accommodations for the contractor's headquarters personnel. Recent negotiations at the request of the Omanis have moved this headquarters to Seeb (FY 99 proposed MILCON). The Masirah facility will be redesigned for 56 people.

Question. What are the terms, length and cost of this contract?

Answer. The caretaker contract requires the contractor to establish the organization and personnel to receive, store and maintain prepositioned war reserve materials at three locations within Oman. The contract has two main sections. The first is phase-in which requires the contractor to hire personnel, provide temporary facilities and establish the organization for contract performance. The contract phase-in is scheduled to be complete by 31 May 1986.

The main section of the contract, the storage, inspection and maintenance portion, has a one-year performance period commencing upon completion of the phase-in. The contract provisions allow for a three-year extension at the option of the U.S. Government. The phase in and first year of performance under this contract will cost $8,000,000. The three-year extension will cost $13,000,000.

Question. Why is it necessary for us to approve funds for contractor facilities and why can't they supply their own?

Answer. The Government of Oman would not allow temporary facilities/trailers in support of a long duration requirement. The Air Force was unwilling to award a caretaker contract for the 4- to 6-year period the contractor needed to amortize his capital investment in permanent facilities. The prepositioning efforts in Oman would have terminated without permanent facilities and the Air Force decided the program was important enough to justify the expenditure of MILCON funds for permanent caretaker facilities.

Mr. HEFNER. Mr. Coleman.

Mr. COLEMAN. No further questions.

Mr. HEFNER. Mr. Lowery.

Mr. LOWERY. No questions.

[CLERK'S NOTE.—The following questions were submitted by Mr. Hefner:]

ARMY STAGING

Question. What is the extent of Saudi Arabian Army staging facilities?

Answer. There are no Army staging facilities in or programmed for Saudi Arabia. While Saudi ranks very high on list of preferred regional locations, there can be no substantive staging or prepositioning program without a written access agreement. There are no active initiatives to conclude such an agreement.

STATUS OF FORCES

Question. The U.S. spends approximately ———.

Answer. The Host Nation Support and Prepositioning Agreement does permit the United States to use existing facilities in ———. However, U.S. requirements cannot be entirely accommodated within existing ———. Accordingly, in certain cases we do require U.S. military construction to meet our requirements. The program we have proposed is the minimum required to achieve necessary capabilities.

Question. Article 6, Paragraph 11 of the agreement specifies that it is the intention of the U.S. and ———.

Answer. The purpose of a ——— and will, in ———.

Question. The agreement alludes to ———.

Answer. Article 3, Paragraph 2 of the Agreement states: "The United States Government shall have ——— under this Agreement at any time. In exercising such rights, the United States Government will attempt to minimize disruptions to the extent possible. The Government of ———.

Question. The agreement also calls for ———.

Answer. We envision that U.S. personnel will ———.

Question. The agreement calls for the U.S. to ———. Explain this arrangement and how much it will cost the U.S.

Answer. Article 3, Paragraph 4 provides that the ———.

Question. This agreement requires the U.S. to ——— contractors to the maximum extent feasible. Explain the reason for this element of the agreement. Does it exclude U.S. bidders from this bidding work?

Answer. During the course of negotiations, the ——— submitted the lowest bid. This procedure does not exclude U.S. firm.

Bidding on individual contracts will be handled on a case-by-case basis. ———.

MOROCCO

Question. What does our country to country agreement with Morocco say regarding prior notification on use of these facilities?

Answer. The agreement between the government of the Kingdom of Morocco and the government of the United States, dated May 27, 1982, authorizes the use and transit by U.S. forces of agreed aerial ports. An implementing agreement of the same date stipulates that U.S. military authorities will notify Moroccan military authorities of anticipated arrivals of U.S. aircraft at least 24 hours prior to arrival at each aerial port. In emergency or unforeseen circumstances, the agreement stipulates that notification "will be in accordance with agreed procedures" (agreement does not define procedures). A U.S./Morocco Memorandum of Understanding concerning the construction, use, operation and maintenance of facilities at Mohammedia Port is currently being negotiated. ———.

Question. Are there any other restrictions on use of these facilities?

Answer. We are not aware of any restrictions on the use of such facilities other than a provision in the 1982 agreement which prohibits the U.S. from permanently stationing armed forces or establishing U.S. military bases in Morocco in connection with carrying out activities under that agreement.

Question. As part of the Persian gulf program this project is subject to the Committee's American preference policy. How do you plan to contract for these facilities?

Answer. This project will be competitively bid among US/Morocco joint ventures only.

Question. Will the Moroccans seek to require a joint venture with a Moroccan firm?

Answer. Yes. The Governments of Morocco and the U.S. agreed to a joint venture between U.S./Moroccan firms. This joint venture approach was satisfactory to both countries and will continue for the requested FY 1987 Military Construction.

Question. This project provides for 755,000 barrels of POL. What is the total requirement for fuel storage and does this requirement take the existing fuel storage capacity at Lajes AB, Portugal, into account?

Answer. The total requirement for fuel storage in Morocco is ——— barrels. This requirement was developed based on existing contingency plans and the aircraft sorties necessary to support these plans. The Morocco requirement was developed with full knowledge of the proposed POL storage capability at Lajes. No duplication of storage capacity exists between these two locations.

KIMHAE AB, KOREA

Question. What plans does the Air Force have to expand the U.S. presence and mission at Kimhae AB, Korea beyond the current ones?

Answer. At this time, the Air Force does not plan to increase the U.S. presence or the mission at Kimhae AB, Korea beyond that previously authorized and approved by Congress.

USE OF RANGES

CLARK AFB

Question. Has the new government formally agreed to the continued and expanded use of our ranges in the Philippines for Cope Thunder exercises?

Answer. The new government has agreed to honor all military agreements as they now stand. In view of this commitment, we have not discussed specific terms of these agreements, to include range use for Cope Thunder. We anticipate no problems with our continued use of these ranges.

KOREA—FUNDING LEVEL

Question. In 1985 the Congress appropriated $176 million for projects in Korea and in 1986 appropriated $175 million. Now the administration is requesting $203 million which represents a 16 percent increase. How does the Department justify this increase in light of current demands to reduce the deficit? Do you see any great harm if the program in Korea is stretched out?

Answer. Since the Korean war ended, U.S. personnel in the Republic of Korea have lived and worked in conditions that are well below the minimum acceptable standards established by the Department of Defense. They occupy facilities that for the most part, are either Pre-Korean war Japanese masonry buildings or Post-Korean War quonset huts that long ago exceeded their useful life. The uncertainty of a long term U.S. commitment in Korea in the years following the war led to such low levels of funding for facilities maintenance that only essential functions were provided. This lack of maintenance resulted in further deterioration of already substandard facilities. Except for 1968, Army MCA levels never exceeded $24 million in any year prior to 1981, and averaged only $6.9 million each year from FY 57 through FY 80. The impact was simply a continuing deterioration of already substandard facilities with virtually no new construction to replace them or to accomplish major upgrading.

The previous administration's decision in 1978 to withdraw U.S. forces from Korea halted most of the initiatives to improve living and working conditions. Even though the withdrawal decision was subsequently reversed and a commitment made to remain in Korea, the impact of the initial decision will be felt for many years. The MCA program was set back at least five to seven years. Planning and construction efforts were quickly renewed after the withdrawal decision was canceled. An integrated facilities plan which tied together master planning, short-term facilities upgrades, and the long term MCA replacement program, was developed and concentrated on four areas: life support facilities, maintenance and operations facilities, community support/MWR facilities, and engineering support facilities.

If the program in Korea is stretched out, U.S. forces personnel will remain in substandard facilities for an even greater length of time.

PORTOMOD WAREHOUSE, KOREA

Question. Detail your current and outyear plan regarding portomod warehouse in Korea.

Answer. The planned stress tension shelter program (trade name Portomod) planned for Korea is:

	Fiscal year—	
	1987	1988
Installation:		
Osan		4
Kunsan	1	1
Taegu	2	

	Fiscal year—	
	1987	1988
Kwang ju	1	
Suwon	1	
Kimhae	1	1
Sachon		2
Total	6	8

Effective in FY 1987, Portomod construction is funded totally by MILCON appropriations, 3300.

KWAJALEIN—UNACCOMPANIED HOUSING

Question. Explain why the Army is providing unaccompanied housing for civilian contractor personnel.

Answer. Roi-Namur is a remote area located 50 miles by air to Kwajalein Island. The lack of adequate Government and civilian housing has caused some personnel to commute on a daily basis between the two islands.

Question. Does the Army plan to charge rent for the facilities? If no, how does the Army get reimbursed for this investment?

Answer. No, rent will not be charged for these facilities. The cost of the contract to the Army can be greatly reduced by providing housing, and eliminating the necessary daily transportation for 100 people. Approximately 30 employees are paid overtime during the travel time between the two islands. The cost for the airplane is $1,700 per hour to transport 100 employees, 30 per flight each way, per day. If the project is not approved, it could adversely affect mission accomplishment, morale, and retention of highly trained personnel.

Question. Justify the high cost of $110,000 per man for unaccompanied housing.

Answer. Kwajalein Island is a high construction cost area with an area cost factor (ACF) of 2.17. The empirical unit cost for unaccompanied officers quarters based on the national average (ACF=1.00) bid experiences, adjusted for FY 87 costs, is $61.00 per square foot, which would be further adjusted to a cost of $132.00 per square foot for the Kwajalein area. The requested building cost of $131.18 per square foot is less than the historical cost. The high cost is mainly due to the remoteness of this area. All building materials, equipment, and even construction workers have to be shipped to the island. $110,000 per man includes costs for building, site work, mobilization and demobilization, and is considered a reasonable estimate.

CAMP COVINGTON, GUAM—BACHELOR HOUSING

Question. How does the Navy plan to construct the bachelor housing project on Guam—by contract or with the use of troop labor (seabees)? If not with the use of seabees, why not?

Answer. The Navy intends to use contractors to build the fiscal year 1987 bachelor housing project in Guam. It is Navy policy to use Seabees for out of CONUS wartime type training projects only. We thereby avoid competition with local contractors. This particular project includes highly repetitive work in skills not required of Seabees, e.g., drywall finishing. If Seabees were directed to this project, other priority fleet projects with higher training value would be cancelled or deferred. Our goal is to find projects for the Seabees that can be completed in two deployments or less, i.e., 14 months or less, to minimize the number of turnovers between deploying units. This project would require 4 deployments and three turnovers * * * schedule/quality would suffer accordingly.

TERRORISM

Question. What chance do the Islamic terrorists have in gaining support through Christian as well as Muslim supporters?

Answer. ———.

[CLERK'S NOTE.—This concludes Mr. Hefner's questions.]

Mr. HEFNER. Thank you.

Mr. ARMITAGE. Thank you, Mr. Chairman.

WEDNESDAY, MARCH 12, 1986.

CARIBBEAN BASIN CONSTRUCTION PROGRAM

WITNESSES

NESTOR D. SANCHEZ, DEPUTY ASSISTANT SECRETARY OF DEFENSE (INTER-AMERICAN AFFAIRS)

GENERAL JOHN R. GALVIN, U.S. ARMY, COMMANDER IN CHIEF, U.S. SOUTHCOM

BRIGADIER GENERAL DANIEL R. SCHROEDER, USA, DEPUTY ASSISTANT CHIEF OF ENGINEERS (FACILITIES ENGINEERING AND FAMILY HOUSING), DEPARTMENT OF THE ARMY

RAYMOND J. MURPHY, DIRECTOR, ATLANTIC LIAISON DIVISION, NAVAL FACILITIES ENGINEERING COMMAND, DEPARTMENT OF THE NAVY

LIEUTENANT COLONEL SETH HEYWOOD, USAF, PROGRAM MANAGER, DIRECTORATE OF ENGINEERING SERVICES, DEPARTMENT OF THE AIR FORCE

STATEMENT OF THE CHAIRMAN

Mr. HEFNER. The committee will come to order.

I am sorry to have kept you waiting a little bit, but you know how these things go. Today the subcommittee will discuss the military construction program for the Caribbean Basin. We will begin in an open session and proceed to a closed session as necessary.

Since mid-1983 the United States has conducted a series of major exercises in Honduras which have been unprecedented in size and duration for the Central American region. These exercises, which are a part of the administration's plan to counter Soviet/Cuban objectives in the region, are currently planned to continue through 1991.

The United States has spent $21 million in military construction funds since 1983 to upgrade two airfields in Honduras. In addition, the United States has spent approximately $6 million on O&M funded construction in support of our presence. The purpose of our hearing today will be to discuss the U.S. presence in Honduras and clarify the scope and funding of the resultant military construction. We will also discuss military construction issues elsewhere in the region.

Our principal witness is Mr. Nestor Sanchez, Deputy Assistant Secretary of Defense, Inter-American Affairs. He is accompanied by General John R. Galvin, USA, the Commander in Chief of the U.S. Southern Command. Mr. Sanchez, you may summarize your statement at this point. Also, General Galvin, we would be pleased to hear any opening comments you wish to make after Mr. Sanchez. General, we are happy to have you with us here today. We are honored by your presence. Mr. Sanchez you can proceed in any way you see fit.

STATEMENT OF NESTOR SANCHEZ, DEPUTY ASSISTANT SECRETARY OF DEFENSE (INTER-AMERICAN AFFAIRS), (INTERNATIONAL SECURITY AFFAIRS, OFFICE, SECRETARY OF DEFENSE)

Mr. SANCHEZ. Thank you, Mr. Chairman. Again, I appreciate having this opportunity to discuss with you and the subcommittee our plan for military construction in the Caribbean Basin for fiscal year 1987.

One year ago, General Galvin and I were here to discuss the fiscal year 1986 programs. At that session, I outlined the basic tenets of our policy in the region and related them to the need for the military construction projects under construction. The policy has not changed. We believe very strongly that we must continue to provide support to democratic governments and to aid in the development of strong democratic institutions within those governments. That is how we best demonstrate to the people of the region our sincere commitment to their future well being.

The total military construction program for fiscal year 1987 is $10.2 billion. Of that total, 27 percent, or $2.75 billion, is for overseas locations. The military construction request for the Caribbean Basin is less than .4 of 1 percent of the total. $4.9 million is the amount we are asking for Honduras. $5 million came over in the plan for a facility in Honduras to support a U.S. Army aviation unit involved in a JCS—directed intelligence collection task. This project provides the basic working and living spaces required by the temporarily deployed units.

By way of comparison, we have $66.5 million of military construction funded for fiscal year 1986 of which $32.8 million is for Puerto Rico and $21.9 million is for Guantanamo, Cuba.

As you recall also, the monies for this project that we are requesting this year, construction projects, were authorized in fiscal year 1985, but they were not funded at that time. We tried reprogramming last year, and were not able to do that.

I want to mention, and I think it is quite important to mention, the fact that our military construction program is but one of the visible signs of U.S. commitment to the long-term stability in the hemisphere. This is particularly true as it relates to our security commitments under the Panama Canal treaties, and the Rio Treaty.

Our presence in Guantanamo, Antigua and the Bahamas, and our bases in Puerto Rico further serve as clear statements that we are dedicated to the future of the region and in particular to the right of self-determination by the people. The U.S. military activities in Honduras have continued to receive a great deal of publicity.

I want to go on record as clearly stating that our activities in Honduras are of a temporary and indefinite nature. We are there with the approval of the government of Honduras. All decisions concerning the scope and duration of our presence are made by the Hondurans.

There is sensitivity in Honduras to a permanent U.S. military presence. This is a crucial factor that has to be considered in any decision for determining acceptable projects. Understandably, the Hondurans do not appreciate being bantered around by the international press, much less their own press, with the allegation that they have sold or compromised their national sovereignty. They consider us to be invited guests in their country, to remain only so long as it serves our mutual interests.

I have been, as you know, the Deputy Assistant Secretary of Defense for Inter-American Affairs since August of 1981, and I have been personally involved in the process that has brought us into the current level of effort in Honduras.

What I pointed out last year has not changed. We have no permanent military presence except for those personnel assigned to the Defense Attache Office, the U.S. Military Group, and the Embassy Marine Security Guard. All other DOD personnel are there to support specific missions such as our joint/combined exercise program, our unit training being conducted under austere, tropical conditions and our intelligence collection efforts destined to provide assistance to our allies as they are forced to deal with insurgent movements supported by the Soviets and the Cubans through the Sandinistas.

When we know how long our allies will be under direct threat of Sandinista support for subversion in the region then we will know how long our military presence will be needed, but certainly our presence is dictated more by the situation in the region than any other plan that we may have.

We will continue to provide the committee with a listing of all proposed construction activities in Honduras as Mr. Taft promised last year and recently reaffirmed in his February 27 letter to you, so that they can be reviewed by this subcommittee.

This committee has been very supportive of our efforts in the Caribbean Basin and we want to maintain a strong working relationship as the issues are critically important to our future and the future of our allies in this region, so close to our borders.

Thank you, Mr. Chairman.

Mr. HEFNER. Do you have a statement?

STATEMENT OF GENERAL JOHN R. GALVIN, U.S. ARMY, COMMANDER IN CHIEF, U.S. SOUTHCOM

General GALVIN. Mr. Chairman, I have a prepared statement I would like to summarize rather than read. I will submit it to you and then summarize.

I was stationed in that area 30 years ago in Colombia and in Puerto Rico, and I have a kind of dual vision or deja vu when I am down there now. A lot of things are contrasted against what I saw three decades ago.

Basically, three decades ago there was insurgency in the area. Today there is a much greater threat than there was then, because those insurgencies have received a couple of things they didn't have then. One is organization in the sense of goals, aims, objectives, as a courtesy of Fidel Castro, who has taken probably 15,000 people from the 19 different countries to Cuba for training, and returned these people to their countries for purposes of destabilization.

Also they have received resourcing that is much greater than it was then. In some countries a great deal of their resources right now is coming from drug trafficking. The tempo of movement of resources to guerrilla organizations in Latin America, is up.

In the 19 countries of Latin America today in the Southcom area at least eight are experiencing insurgencies in Guatemala, El Salvador are well known. There are subversive elements in Honduras and Costa Rica. There is a Costa Rican Brigade fighting along side of the Sandinistas in Nicaragua. In the Andean chain there are a number of insurgencies. The Bandera Roja is in Venezuela. Bolivia has a problem, Peru has a problem. Chile also has a problem. All of these show an interesting trend which is a growing international unity of the insurgents and terrorists. If you need a demolitions expert or an expert in kidnapping he can be ordered from one of the other countries. We are seeing in the so-called Coordinating Group and in the Battalion America in Colombia the visible beginnings of international linking of those insurgents.

We are also seeing, of course, something that wasn't there 30 years ago, and that is the presence of Marxist internationalist government, the Sandinistas in Nicaragua. This regime constitutes an extraordinary threat to their neighbors in Central America, and they have exercised themselves in those directions. As we all know; the Olancho episode, the Paraiso episode, both in Honduras and there are others. In other words, in my opinion anyway, the threat is up in the region, and the stability is down.

I would like to move from these brief remarks on the threat to a brief comment on our strategy. The strategy really breaks down in the region into three parts, Mr. Chairman. The first part is the peacetime strategy, in which we try to use security assistance as a vehicle in order that we can have a military-to-military contract in furtherance of the national objective. We seek a stable hemisphere in effect for us. In military terms a stable south flank for the United States, so that if indeed we were confronted with anything that happened to our east or to our west, in the Pacific or in the Atlantic areas, we would not at the same time have instability with which to contend in our south flank.

In order to do that, we use security assistance in peacetime as a vehicle for improving our military-to-military contacts and as the means to achieve national stability, nation building, a political military support of democratic pluralism, and a military that is highly professional and dedicated to military tasks within the country. In short a military that is subordinate to civilian government. We feel that the U.S. military is an excellent example. For them with more than a 200-year history of civilian control and stable civil military relations.

The second part is the recognition of the Rio Treaty and the contingency planning which has to go with our responsibilities.

The third part is the all-out war possibility, in which the maritime strategy of the South Atlantic would link me with Atlantic Command, and all of those strategic goals I am pursuing.

All of this we relate to the specific work of this committee especially in terms of Honduras. You have given emphasis to Honduras Mr. Chairman. The military construction program for Honduras has been described by Mr. Sanchez—I would add that there are future needs involved also. As you know, the Deputy Secretary Mr.

Taft has sent you a letter with reference to those needs, logistics and intelligence support, safety, and airspace management.

I would also mention that in addition to Honduras the next thing in priority at least in my sensing, and I believe in the committee's, is Panama. We have to look at where we go in the year 2000, and I would say there that we have many of the same requirements that we have in Honduras because we have troops in Panama. Their safety, their quality of life, their sanitation and other direct immediate needs are my responsibilities as their commander, and I intend to answer those needs.

Sir, that is my brief summary of my statement. I thank you for the opportunity to address the subcommittee.

[The statement of General Galvin follows:]

STATEMENT OF
GENERAL JOHN R. GALVIN, U.S. ARMY
COMMANDER IN CHIEF, U.S. SOUTHERN COMMAND
TO THE HOUSE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON MILITARY CONSTRUCTION
12 MARCH 1986

It is an honor to return before to this committee with now a year's experience as the Commander-in-Chief of the US Southern Command. My own background in Latin America goes back three decades to when I first served in Colombia as a Lieutenant. Progress made by our southern neighbors has been significant, yet much remains to be done. Observations and experiences over that 30 year span have strongly influenced my implementation of our basic strategy for Central and South America. Our stated aims of stability, democracy, and nation-building must be skillfully integrated with Latin American aspirations for sovereignty, independence, and prosperity.

I am grateful for this opportunity to discuss with you what we see as the best approach to achieving United States strategic objectives in this part of the world. I plan to cover basic strategy, the "what, why and how" of my goals. I will also discuss the Military Construction Program, which has a strong impact on our capability to reach these goals. The FY 87 program, although very small, directly supports the overall plan.

The Congressional attention shown in the past year demonstrates a true concern and interest in our activities in the U.S. Southern Command. I strongly applaud your involvement and solicit your continued support for this region of vital concern.

NOT FOR RELEASE
PRIOR TO TESTIMONY

The US Southern Command mission is to secure the southern flank of the United States and be prepared to fulfill obligations to our allies. The Southern Command strategy has three main sub-divisions. The first is hemispheric stability in peacetime; the second is fulfillment of treaty obligations; and the third is defense of the US in global conflict.

The first task is pursuit of stability in the hemisphere under peacetime conditions, recognizing that active insurgencies exist in nine of the 19 nations in the region. This must be accomplished at the least cost in resources and manpower. There are innumerable obstacles and roadblocks to be overcome in areas of economics, politics, social conditions and outside disruptive influences. A valid need exists to solve or reduce these problems in order to stimulate environments which are not conducive to insurgency.

The second task in the overall strategy concerns projection of power to assist one or a group of nations under overt threat. In this case our goal is to support our friends as provided for in the Rio treaty and bilateral agreements and commitments. The more direct methods of achieving this objective include security assistance to build military self-sufficiency and military force presence to facilitate combined exercises and activities. Improved interoperability and regional cooperation are of extreme importance.

The final strategic task involves defense of the southern flank of the US under conditions of global conflict. Sub-objectives include the defense of the Panama Canal, the maintenance and security of required lines of communications for air and sea operations and the accomplishment of wartime missions in coordination with LANTCOM and PACOM.

Overt aggression, whether regional or global, is hopefully the least likely to occur. The appropriate military response to such aggression is clear. Appropriate responses to covert borderline cases, the Marxist-Leninist "revolutions without frontiers," are more elusive and more formidable.

The majority of my time and effort is therefore spent in areas where aggression is not open and where insurgencies and terrorism intimidate legitimate governments. The pervading purpose is stability at national and regional levels. This does not imply stability at any price. We must establish rational, logical parameters for dealing with and maintaining relationships with Latin American nations. The key question is how this stability can best be achieved or at least encouraged.

The pursuit of stability deserves further clarification. What is it that we really want to bring about? I would suggest:

° Deterrence and ultimate defeat of Cuban and Soviet efforts to destabilize countries in our hemisphere.

° Furtherance of democratic ideals.

° Development of military forces that are apolitical, effective, and actively engaged in providing security and promoting national welfare and nation-building.

° Establishment of confidence in the US ability and determination to build mutually beneficial relationships and to stand by them.

A second obvious question is why should we really need stability in Latin America. I offer:

° Recognition that stable, friendly governments in Latin America also contribute to the overall security of the United States.

° Desire to encourage truly free, reliable, and dependable governments to enable economic growth and fair trade.

° Need to develop pragmatic country-to-country relationships with third-world nations that remain sensitive to national sovereignty and pride.

The remaining and most significant question is still: How do we influence this stability in Latin American nations?

First, continued close and dynamic coordination between the State Department and the Department of Defense. Security assistance through the state department must complement and reinforce military cooperation through the DoD and vice versa.

Second, we need to continue to improve and establish where necessary, a positive US-Host military interface. This can be accomplished through combined exercises, personnel exchange programs, unit exchanges, conferences, seminars, a variety of training programs and continued face-to-face contact.

The military construction program in front of you is extremely modest, consisting only of two projects. The first is for facility support for an Army intelligence unit. This project was authorized by Congress in FY 85 but not funded. The unit is deployed and operating from borrowed, interim fabric facilities. The second project is for UH-60 Blackhawk helicopter parking to support the full beddown of the unit at Howard AFB. These aircraft include those that provided exceptional service during the Ruiz Volcano disaster in Colombia.

Over the next few years, my Milcon needs are also limited but extremely critical. They represent significant contributions to the overall strategy, rather than simply real property improvements to an existing, permanent basing structure. This Milcon is an investment in US interests, it is not the creation of new installations. Typical requirements establish or support:

° Facilities that support logistics.

° Intelligence activities that are low investment, low risk functions with high payoffs in data collection and dissemination.

° Troop support facilities to house and feed our servicemembers.

° Quality-of-life projects rightfully due to all military men and women and their families.

° Air traffic, search and detection radars that provide the ability to monitor, control, and track air operations- in the Caribbean Basin.

Future fiscal year programs will include additional projects in Panama, and in Honduras for as long as the situation in the region requires our presense there. These Milcon programs support the overall US interests in Latin America. The benefits and gains that can be derived from a well formulated program include:

° A concrete commitment of US resolve to honor our agreements and support our allies.

° Fulfillment of canal treaty obligations to turn over well maintained and functional facilities.

° Avoidance of a 10-11 year construction gap, if new security agreements or arrangements should occur.

° Enhancement of quality of life to improve service member morale and military retention levels.

In addition to these generic benefits, Milcon has played a specific role in our mission in Honduras. Our current posture originated with Congressional approval of airfield improvements at Palmerola and Goloson Air Bases. The current FY 87 project is to support full operation of a Congressionally authorized intelligence gathering unit. The current plan is a phased approach to enable the development of Palmerola Air Base to better support our commitments to the region, while allowing for force drawdowns when practical.

In response to your direction we updated our long range Caribbean Basin Construction plan on 3 Feb 86. The scope and purpose of our efforts were clarified in Deputy Secretary of Defense Taft's letter to the Committee. The activities of Joint Task Force Bravo have been extremely successful; support to exercises has benefitted both US and Honduran forces and our intelligence operations have provided invaluable data to our allies and our own forces. All aspects of our presence in Honduras, particularly engineering construction and training activities, have been duly and accurately reported to Congress.

In Honduras we are engaged in the following activities:

° Maintaining military assistance to allies to support regional stability and to enhance the readiness and self-sufficiency of regional forces

° Continuing the operation of military intelligence activities.

° Enhancing the readiness of US forces through training and exercise channels.

° Supporting diplomatic efforts and appropriate aspects of the security assistance program for embassies and military groups.

We have specifically designed our forces to be non-threatening while sending the correct signal to Nicaragua that the US is committed to assisting its friends and allies to combat attempts by Soviet proxies which fuel terrorism and insurgency in the region.

The types of units deployed, primarily intelligence gathering, engineer, and medical, are carefully selected to represent no offensive threat in the region. The majority are units performing training missions.

Facility needs are different than those of permanent basing in the sense of European or Pacific installations. Palmerola Air Base is a Honduran installation to which we have access rights. Joint Task Force Bravo is a headquarters at a forward operating location from which we provide the support and control structure for our deployed forces.

I am aware of your concerns with respect to an "indefinite temporary" presence. Unfortunately, I cannot predict exactly when Nicaraguan adventurism will subside to a point that neighboring nations feel secure with their own self-defense capabilities. A reversal of the unnecessary and unjustified arms buildup by Nicaragua will reduce the need for our presence.

It is obvious that this build-up poses a threat to other regional nations. What is less obvious is the threat this poses to the United States. The destabilizing influence of Soviet surrogates is in direct opposition to the US desire and objective of stability in our hemisphere. We should assist in minimizing destabilizing factors so that the fledgling democracies can institute reforms, maintain basic freedoms, and develop in their own way to become self sufficient. When viewed in this light, the effect of, rather than the length of our presence becomes the significant issue. It may take two years or five years or more. I am strongly convinced that our support is a necessary, worthwhile, and appropriate activity for Southern Command, the DOD and the US Government. Our military construction program provides austere support to this activity.

The cost of five years of this form of peacekeeping is far less the five weeks, or even five days of conventional warfare, especially if measured in terms of lives.

In conclusion, I would like to mention several key considerations affecting my mission in Latin America.

Central and South America are our next door neighbors. We are linked geographically and share the hemisphere. As such, these nations deserve special considerations in our dealings with them.

We are in agrement that the US does not want anymore "Vietnams." Neither do we want any more "Cubas."

SOUTHCOM's military construction program requirements are objective oriented. The Milcon is not to establish permanent basis. It is designed to facilitate support to our friends in the region and to attain US policy goals.

EXERCISE CONSTRUCTION

Mr. HEFNER. Thank you, sir. The majority of the committee I believe generally supports the goals of the U.S. presence in Honduras. We have taken issue on several occasions with the method of construction funding. We have had some developments and we just feel like that we have to keep our guard up, as you do, and we don't like to be the last to know.

The original justification for O&M funding exercise construction was (1) it was temporary, (2) it was performed by troop labor as a part of an exercise, and (3) the cost of any project did not exceed $200,000. Since the department hired a base operation contractor at Palmerola Air Base, they have funded several facilities via contract. The construction plan calls for $1.7 million in non-exercise related facilities in fiscal year 1986.

These projects are apparently all less than $200,000 each and include everything from racquetball courts to officers clubs to lighted baseball fields. We have gone from an austere exercise support function to a semi-permanent base.

I do realize that we do need to have some quality of life and some recreation, but could you comment on the need for this $1.7 million in non-exercise related construction and how it supports our long-term goals in Honduras?

General GALVIN. Yes, sir, Mr. Chairman. As you know, I have been down there about a year. When I got down on the ground and looked at the situation there, I found that because of the impermanent nature of Palmerola, there were many things that put our troops in a position of living under conditions that I doubt could be much improved by additional troop labor.

These have nothing to do specifically with the troop mission or the duration of the time there. We have about a thousand today, about 995 troops there, less than we had when I talked to you a year ago. Those troops needed some things, I tried to get a sensing here in Washington for how much we would be able to do, and I felt that the sensing was positive, that is that you did want to see, and that my superiors here did want to see, such things as troop safety, troop security, sanitation, quality of life improvements, such as creating something for working with air conditioning.

There isn't an air conditioner or anything else in that place, except where we have computers, we are not attempting to create the Taj Mahal of Honduras, but to have something that would be a place that soldiers could work, and could live in healthful conditions. Let me explain by way of some examples.

We have plans to put some sewage in Palmerola through the money that we are talking about is the $1.7 million, and I hope that we will be able to do that. We have, as you said, some tennis courts and basketball courts. I would like very much to keep the troops on the base, and not have them going off the base. But it is difficult to tell troops that are going to be there for 189 days or for a certain amount of time that they can't go off base in a friendly country if all they can do is it in their huts.

The idea of having lighted courts means that at night the troops would stay on the base instead of going someplace else. This is something I have tried to do in my commands wherever I have had them in my career, that is, provide things for the troops, for the young soldiers, so they exercise themselves, they get rid of lot of energy and frustrations, and they stay on the base as much as humanly possible.

There is fencing in the request for troop safety. In the combination of quality of life, troop safety and security and so forth we can provide for better conditions. That is what basically is in there, Mr. Chairman. It totals $1.7 million, in a series of small projects which if I were commander of Fort Stewart, Georgia as I was before. I saw similar conditions at Fort Stewart, I would not want to wait for five years for military construction.

I would attempt to use my authority under the $200,000 law for differing projects to do this kind of thing in both situations if conditions merited it.

Mr. HEFNER. The department is now in the position of supporting the continuing presence of over 1,000 personnel, I believe you said it was less than 1,000 now but roughly 1,000?

General GALVIN. Roughly.

Mr. HEFNER. And as many as 5,000 U.S. troops on exercise deployment out of temporary facilities. According to the recent GAO decision, this has resulted in the exposure of our troops to numerous health and safety hazards and caused morale problems. You might have addressed some of that. The lack of an adequate sewer system forced medical officers to close the Palmerola Air Base mess hall for 10 days in June of last year.

Hasty wiring of CAT huts has created potential electrical fire hazards. Unpaved roads regularly wash out during the rainly season. The effluent from the temporary sewage system is currently being dumped in an open area adjacent to the base. How do you intend to address the immediate health and safety problems at Palmerola Air Base, and at what cost?

General GALVIN. Sir, those are the same problems we have just been talking about. They are not unusual problems. They are problems I have faced in every command that I have had, but the way that I intend to address those problems within my own authority of $200,000 per project reporting all of those to you, of course, I intend to, one by one, fix those things. Most of the ones you have mentioned are already being addressed.

[CLERK'S NOTE.—The following questions were submitted by Mr. Hefner.]

Question. How much of this $1.7 million is permanent construction?

Answer. The only two projects that fall into this permanent category are the perimeter fence (estimated at $75,000) and the guard towers (estimated at $95,000).

Question. Since March 1984 removal of the former Chief of the Honduran Armed Forces General Gustavo Alvarez, the Honduran Government has asked for a special security treaty with the United States Government that would address the U.S. military presence there. In 1982 we signed an Annex to the 1954 military agreement which allowed us to expand or construct aerial ports in Honduras.

Last May, when former President Cordova visited President Reagan, they amended the 1982 annex to the 1954 agreement. Tell me, General Galvin, what is the status of our negotiations with the Honduran Government? Are they satisfied with our denial of a security treaty? Have any followup negotiations continued to take place? And if so, what are we negotiating now?

Answer. In August of 1984, the Hondurans requested a bilateral commission to review Honduran concerns on bilateral issues. Under State Department leadership, a bilateral negotiating structure was subsequently formed and first met in December 1984. Since that time various agreements have been negotiated some of which are technical agreements and some of which are protocols to the 1954 and 1982 agreements. Negotiated agreements cover such areas as: criminal jurisdiction, exercises, and airfield maintenance and repair. The procedures for settlement of claims is a unilateral declaration and conforms to the requirements of the Foreign Claims Act (10 U.S.C. 2754). The technical agreements are in various stages of implementation. The protocols on criminal jurisdiction and exercises are pending approval of the Honduran legislature. These protocols will be reported to Congress in accordance with the Case Act. A ——— is currently under negotiation. When concluded, this agreement will essentially update the 1982 Agreement. Congress will be appropriately notified. The Hondurans would prefer to have ——— with us but have accepted our rationale that ———.

Question. Will this work be a construction contract or done in conjunction with exercises?

Answer. The immediate health and safety repairs are being accomplished by Operations and Maintenance (O&M) contracts and Deployments for Training (DFTs). Several repairs have already been completed i.e., sewage and drainage problems for the dining hall, electrical repairs, and rewiring for the JTF-B main camp and Camp Blackjack, and necessary road repairs.

[CLERK'S NOTE.—This concludes Mr. Hefner's questions.]

SEPARATE FUND FOR EXERCISE CONSTRUCTION

Mr. HEFNER. The GAO in their recent decision suggested that the department request construction funds as a separate line item in the military construction account for all exercise-related construction. This would put to rest all the contention surrounding military construction versus O&M funded construction and would probably give you more flexibility than you have now. What do you think of this recommendation?

General GALVIN. I don't think it would work, Mr. Chairman, for these reasons. As it is now, we use O&M funds for all training, and exercises. In that way we have the flexibility. Although I have a five-year exercise plan, that five-year exercise plan is very general. Sometimes I don't even know precisely where an exercise is going to take place until we get fairly close to it, so to try to go out five years and get approved construction for exercises when I don't even know where they are going to be, would so much limit my capability to be flexible in the conduct of exercises.

For example, exercises are often joint and combined, joint in the sense that the Army, Navy, Air Force, Marines in the United States need to be involved. That means I have to coordinate with those people who are doing lots of other exercises and they normally don't want to get with me until certain coordination meetings, take place, like three months before the exercise date.

With the Navy, for example, I get to them three months before an exercise takes place to see what units and forces are actually going to go. We already know the exercise will take place. We have known that for five years, but who is actually going to is a near-time call. Incidently sometimes I determine where it is going to be held and the nature of it at the same time. It depends on coordination not only in our own system but in a combined sense with our allies. Sometimes our allies don't tell us. until the last hour. For example, take the current road that we are working in Honduras, I didn't even know exactly where that road was going to be at the time we were loading the ship with engineering equipment, because the Hondurans hadn't made a final decision.

I needed that flexibility which is recognized and built into the O&M use of funding for exercises. If that were changed and that were put into a construction fund, I and you Mr. Chairman would have a paperwork nightmare on our hands. I reported this time $3600. I noticed people reported for three latrines that we are building that have something to do with an exercise.

If every time I had to do any kind of construction I had to get out five years to do it, exercises would grind to a halt, or they would be so inflexible that we wouldn't gain the training value from it.

Mr. **Hefner**. Does staff have a question?

Mr. **Murray**. I think what GAO and the Committee had in mind was something that would give you more flexibility. In other words, a fund requested year by year, the specifics of it to be shown in any way that is necessary. The purpose of it was to give you more flexibility, not take it away. So I don't see any requirement in the plan for more than a year in advance, perhaps not even that.

General **Galvin**. If the purpose was to give me more flexibility, I think it is something that we ought to try to work on. As it is now, it is difficult for me to work something under the conditions that we have. In other words, under the $200,000 authority, every time I try to do something I have to decide if a project actually is connected legally in some way with some other project and so forth. I spend a lot of time talking to auditors and lawyers on this stuff when I ought to be talking to the U.S. and allied troops that are in the exercise. If that would help, it would be great.

Mr. **Murray**. I think that is what the GAO had in mind. I think that we are getting at is wanting to properly budget for these activities, but give you more flexibility than you have now. I think the present limitation has led to the kinds of problems you are experiencing in Palmerola that you mentioned in terms of health and safety hazards.

General **Galvin**. I would make one other comment. If we could do it in such a way it would really be helpful. In terms of construction I see an exercise involving matters, from fixing roads to the building latrines. When I total up my construction needs, it is going to cost me in the ballpark of this amount, so let's program it in advance. That would be fine as long as I had some flexibility with a certain percentage, like 20 percent or something, to take that one way or another as we actually came down to the wire and did our final planning and execution.

Mr. MURRAY. I think that is what we had in mind.

Mr. SANCHEZ. And to use it as a pot of money where you can also use it on other exercises. In other words, if it is given for one exercise and you change that exercise, we are going to be caught.

Mr. MURRAY. Perhaps designate it by a major command.

Mr. SANCHEZ. That is right.

Mr. MURRAY. By service.

LONG-TERM PRESENCE IN HONDURAS

Mr. HEFNER. Until recently, the department has been reluctant to admit any long-term planning in Honduras beyond the next six months. However, in the past few months you have essentially admitted that the United States will remain until the situation changes, and I believe that is in the text of a letter from Mr. Taft, or until we are no longer welcome guests of the Hondurans.

Could you explain why and when the department changed its plan regarding our length of deployment in Honduras? Has the department planned or had you planned from the outset to be in Honduras indefinitely?

Mr. SANCHEZ. No, there has been no change in plans. It is something we have said right from the beginning that it is temporary and indefinite. In other words, we can't state today, we couldn't state before, as to how long we are going to be there. What we were stating was that we were not constructing bases to be there on a permanent basis. As to how long it is going to be, this depends on the situation in the area, how that develops and the threat and the stability, the regional stability and the threat that those countries have.

General GALVIN. I would like to add something to that, if I can, Mr. Chairman, not from the Department point of view but from the military commander's point of view. What we are trying to do in Honduras, I think we should make very clear. We are interested in trying to provide first of all a force presence there that indicates to the Hondurans that indeed they should have confidence in us, That if they are ever attacked by the Sandinistas or anybody else, we would exercise our responsibilities under the Rio Treaty, our alliance with them and we would come to their aid.

You know that the Hondurans have gone to the National Command Authorities about their concerns. They are very concerned about this. There was a meeting between the two Presidents this year, and a visit to the White House on this subject and many other meetings. We are there to assure them, and we are there to do this in a manner that is at the least cost to us, but we must assure them of our presence.

Our force presence obviously is a signal to the Sandinistas that they should be very careful about any adventurism that they might have in mind.

A third thing is that the force presence allows us to exercise deployment and operations in an area where we cannot do the same kind of exercises in the United States. Now, what I try to do is balance all that off. I try to bring forces down to Honduras that the Army, Navy and Air Force and Marines in the U.S. would like to exercise, because that helps them and it also helps us. I am balancing those things together. But always I am trying to do that with the least amount of force, but enough so it is recognized by our opponents as well as our friends for what it is supposed to be.

This year, for example, the force presence there will be slightly under what we had before. It will not go over about 4,000. Last year, when we combined Universal Trek and some other exercises together, we got up to about 6,000 or 7,000 people for 3 or 4 days. But the normal force presence at any given time is the 1,000 or so people that we have at Palmerola where they are used to direct the force presence exercises, everything from little platoons and companies, sometimes, up to a batallion level, that go down there and exercise communications and things like that.

Mr. **Hefner**. The reason why we had some questions was that last year you started to introduce some officers clubs and this sort of thing, which led us to believe that we are going to be in there for a long, long while. There is a very good chance that we will be there. What could happen? You said until we are no longer welcome guests of the Hondurans. We don't have any inkling that we are not welcome guests, or do we?

Mr. **Sanchez**. None at all. We would be unwelcome guests if they saw our interest in the area declining. In other words, what we now have is a mutual interest, especially in our concerns with what is happening in Nicaragua and the buildup in Nicaragua, if they saw us losing that interest it would be doubtful that they would want to permit us to stay in their country, just to exercise. They also see the benefit of having our presence there to send that signal that we want to send to the Sandinistas that we are prepared to help our allies.

Mr. **Hefner**. How much money have we spent since we have been having the exercises; do you have any idea?

General **Galvin**. We will have to get that to you, sir.

Mr. **Hefner**. I want to yield here to some other Members. I have some other questions, but I will yield at this time to Mr. Alexander.

Mr. **Alexander**. Thank you, Mr. Chairman.

Welcome, Mr. Sanchez, General Galvin. I haven't seen you, General Galvin, since you were in Washington last year. I look forward to talking with you while you are here.

General **Galvin**. Thank you, sir.

Mr. **Alexander**. I am sure you are doing a good job. I would like to state for the record my own view. I think it is shared by every Member of Congress that we all support defending our national interests against any perceived threat, whatever it may be, any threat that questions or challenges our security, and I might add, the security of our allies. They should be protected. We should prepare for that and we should be able to defend it on a moment's notice.

I also support the idea of training in Honduras. I think it is superb training for our troops. We have had a National Guard unit from my own state to recently experience two weeks of training near the Nicaraguan border. I haven't talked to any of those soldiers, but I expect they benefited from it, going to a foreign country and being deployed, living out in the jungle. That sort of thing has got to be a good experience for them. It is sort of like running for Congress.

Mr. HEFNER. Summer camp.

Mr. ALEXANDER. That is right, summer camp, the same thing. Practice makes perfect. Experience makes the master, as they say. As far as I am concerned, and I feel that I speak for a majority of Congress, I support spending money for that purpose.

I have done some review of our outlays during the last five years, and the records show that the United States has spent $3.4 billion in foreign aid in Central American nations since between 1981 and 1985.

Of that $3.4 billion, more than $799 million is for military assistance, and that does not include CIA funds. I don't have a record of that. I don't know what the CIA spent there.

In Honduras during the same period, the administration has indicated $760.6 million in foreign aid, of wich $288.9 million was military assistance. These totals do not include either the $21 million in DOD military construction money appropriated for Palmerola or La Ceiba or the millions spent for military construction during or in connection with the U.S. military training exercises which have been underway since 1983.

A problem that I have with what we are doing there is that I don't know what it is. I am not clear in my mind what our policy is. I understand the need for a presence, and I support the idea of defending our allies. I am confused about the direction of the administration, and its orders to our military units, when I don't know how much we plan to spend for the future. I keep hearing that what we are doing there is not permanent, but I have gone there myself, and I have seen with my own eyes what we are doing, and I am not convinced that what we are doing is not permanent.

Furthermore, the General Accounting Office, after a tedious and laborious effort, which was necessary because of the lack of cooperation of the Defense Department in providing information to Congress, has concluded in its report dated June 22, 1984, and the Comptroller General's decision of the same date, B21237, that the administration has not followed the law in the use of O&M funds for its military construction efforts, which you characterize as temporary, but which others conclude are more than temporary, or thus permanent.

Now, the reason that this causes us all concern is not because we don't want to defend our interests. It is for two other reasons: One, we have a responsibility to this budget. I take an oath just like you do, and it makes me look bad to the people to whom I am accountable when I can't tell them what we are going to spend in Central America. They don't understand that. They think that we are all supposed to be leveling with one another in Washington, and we are not.

I brought that up with Secretary Taft in his maiden voyage here a year or so ago. He said he wasn't a politician. I said, "Well, Mr. Secretary, you are about to get your first lesson in politics." And then we went on to produce the GAO report, which concluded that the Defense Department is not following the law in spending taxpayers' funds which are appropriated by this committee for O&M funds, which have been used for military construction purposes.

Now we are accountable for these funds, and we have to answer to our people. That is one of the reasons that we are concerned.

The other concern is that no Latin American country, none of our allies in Latin America, with the exception of possibly Honduras—and there is some doubt there—support U.S. policy in Central America. I know that you will say, the President of so-and-so down there will publicly say he doesn't support us, but privately he does. I don't think that we can rest on that explanation any longer, because more and more heads of state of Latin American countries are publicly denouncing our policy.

President Miguel de la Madrid in Mexico—whom we say we are supporting, we are defending him against communism—said last year—I believe it was last year—U.S. policy in Central America of military maneuvers and naval operations is causing anger among the Latin American people, and running the risk of a wider war in the region.

Now, this is Mexico. We are trying to defend Mexico against communism. They are not worried about communism from without. They are worried about it from within. In fact, I took the trouble last week end to hop on a plane and run to Santa Careta, the U.S.-Mexican Parliamentary Convention, to talk to the leaders of the five parties in Mexico, and every party, conservative to liberal, say that we are wrong in Central America and they do not support us. Every single party are unanimously against our policy in Central America.

Recently our friend Belisario Betancur, President of Colombia, issued a statement in an interview. This is in The Washington Post. I have a copy of it here which I will give to you. I would like to put it in the record, Mr. Chairman.

Mr. HEFNER. Without objection.

[The Washington Post article follows:]

[From the Washington Post Mar. 10, 1986]

CONTRA AID 'WRONG,' COLOMBIAN DECLARES—BETANCUR URGES REAGAN TO TALK, NOT FIGHT

(By Bradley Graham)

BOGOTA, COLOMBIA, March 9—President Belisario Betancur, a leading opponent of military intervention in Central America, says the Reagan administration's request for $100 million in aid to anti-Sandinista Nicaraguan rebels is "wrong" and "will not produce good results."

In an interview, the Colombian leader, a founder of the Contadora group of eight Latin American states proposing a negotiated peace in Central America, said "all of Latin America doesn't like the Reagan proposal" and urged the U.S. president to talk with, not fight the Sandinistas in Nicaragua.

"I think that an initiative such as the request for $100 million taken by President Reagan is wrong," said Betancur. "I know we can get more through negotiation. I know that the Reagan administration is aware of the fact that Latin America has its own language, and that language is expressed through Contadora."

The extent of Latin American support for the aid request has been a point of controversy in Washington. Administration officials contend that some Latin American leaders do not want to endorse the plan publicly for domestic political reasons but that privately they are sympathetic with the U.S. anti-Sandinista campaign.

Betancur's firm opposition was expressed during a 45-minute interview Friday assessing his four-year term in office, which ends in August. Colombians went to the polls today to elect a new Congress in a vote that foreshadows presidential elections in May. The Colombian constitution prevents presidents from seeking a second consecutive term.

A man of peasant background and populist skills, Betancur, 63, was elected on a platform of achieving peace at home with leftist guerrillas and abroad between warring groups in Central America. Although the peace agreements he sought are far from being realized fully, Betancur said he has established a legacy of negotiation on both fronts. He is constitutionally prohibited from running for a second consecutive term.

The silver-haired leader calmly rejected the claims of critics on both the right and the left who regard his peace policies as having disintegrated in the face of mounting guerrilla warfare in Colombia and heightened tensions between the United States and Nicaragua. He said he had established an "anti-Vietnam approach" to armed conflict in the region, an approach of "dialogue and agreement" that, he added, is not irreversible, at least in Colombia:

"It is also the philosophy of the Contadora group," he said. "It consists in telling the guerrilla groups in Central America: Why not talk, why not search for diplomatic solutions and negotiate?"

The Contadora process is stalled at the moment over the refusal of the Sandinistas to talk with the rebels known as contras—short for counterrevolutionaries—and U.S. refusal to resume conversations with the Nicaraguan government under existing circumstances.

Despite Betancur's emphasis on negotiated solutions, his own room to maneuver with guerrilla groups in Colombia was dramatically called into question last November, when security forces stormed Bogota's main courthouse, which had been seized by April 19 Movement (M19) guerrillas, killing not only the terrorists but also 11 of 24 Supreme Court members and more than 50 other hostages held inside.

A number of Colombians and foreign analysts suspect that military leaders, who were never comfortable with the peace process, moved against the guerrillas without consulting Betancur, leaving the president to assume responsibility for the massacre to uphold the image of civilian authority. Since then, the Army has increased operations against M19 and other smaller guerrilla groups concentrated in southern Colombia.

Defending the institutional integrity of his government, Betancur reiterated that he had been in full charge during the 27-hour seige at the Palace of Justice. He said military forces had been permitted to continue advancing on the building to prevent the guerrillas from consolidating their position inside.

He blamed the M19 attackers for the carnage, saying they had refused to drop their guns and accept his nonnegotiable offer of a fair civilian court trial if the hostages were released. he said he had been willing to "converse" with the guerrillas, "offer them a way out, a solution," but not "negotiate" with them after they had taken over the building, killing guards and others.

Asked why, several hours after the midday attack began, he had declined to take a frantic telephone call from a trapped Supreme Court president pleading for a cease-fire that might have permitted a dialogue, Betancur said he had passed the call to police Gen. Victor Alberto Delgado "because the operation taking place was a military operation, directed by the police chief."

The president was reluctant to discuss other details of the incident. He noted that a special judiciary commission was due to report this month on the seige.

Countering public perceptions that full-scale guerrilla warfare has resumed, Betancur said that a two-year-old cease-fire with the Revolutionary Armed Forces of Colombia, or FARC, the country's oldest and largest rebel movement, remains in effect. Government and FARC representatives signed an agreement a week ago extending the truce indefinitely, and FARC has set up a political front, the Patriotic Union, which is running candidates in this year's elections.

Betancur said dealing with Colombian guerrillas has been complicated by the contrasting nature of various groups. FARC, for instance, which Betancur said represents 90 percent of the insurgents, is linked to the Communist Party, while the M19 is a nationalist force with no clear international ideological connections.

Moreover, said Betancur, violence has been chronic in Colombia. "We are trying to solve a problem 40 years old," said the president. "That's not possible overnight. What I'm satisfied with is having brought the peace process to a point of no return."

Betancur said investment in poor regions where guerrillas recruit will be the government's best defense against subversion. He said legislation passed last year authorizing the election instead of appointment of mayors starting in 1988, and facilitating the formation of new parties, will widen participation in politics.

POLICY OBJECTIVES IN CENTRAL AMERICA

Mr. **Alexander**. The contra aid is wrong, he says. You might want to read that, General, and we will put this in the record.

Now we are not working together here with our allies. There are many of us in the Congress who are concerned for budgetary reasons and for foreign policy reasons that what we are doing, spending all this money in Central America, is not producing the results that we say that we support. What are those goals?

Mr. Sanchez says, "We believe very strongly that we must continue to provide support for democratic governments and to aid the development of strong democratic institutions within those governments."

Well, everybody supports that principle, but are we doing that? I am raising that question and I don't think we are. I am not convinced that we are. It seems to me that we are looking at the world from different views, through different eyes. Some of us are listening to our allies and some of us are not. That is why we are picking at you about all these expenditures. We all work for the same government. We all support the defense of that government, and I felt that since you are new on the job, so to speak, one year, that I owed you an explanation of where we are coming from, and I am not even convinced that the people in Honduras support us there.

I think it is mixed. I think you go to one group you get support, and another group you don't. That is true everywhere, I suppose. Honduras is a pluralistic society just like the United States is a pluralistic society, and you get various support for various views from varying points within that society.

I think it makes your job a lot easier and it would sure make my job a lot easier if we could level with one another and all be telling each other what we know about these things. I think I will tell you the same as I did Secretary Taft: If you tell me what your goals are, you might find that I support all of them. But, if you don't tell us and you make us do it the hard way, it just makes more work for us and it makes it more difficult for you.

General **Galvin**. I would like to answer a couple of points that you made, sir. First of all, I might as well start with the last one. I don't feel that this committee or you or anybody else here is picking at us or at me. In fact, I am delighted to be here. I want to explain what we are doing. And you ask me and I can't say no anyway. But I really feel that our goals are quite clear. That is why I started off trying to say what is the strategy. I think we need to be very clear about the strategy.

It is a three-part strategy. In peacetime we are looking for stability of the south flank of the U.S. We are looking at it selfishly, militarily, from our own point of view. We want a stable south flank so if we do have to project power anywhere in the world, God forbid, we will do it from a stable hemisphere, with friends. We don't want a hostile Central America, hostile to our interests, inimical to our goals. We want allies down there.

When you translate that into a military point of view, we can use the vehicle of security assistance to get the military-to-military relationships, which make, for example, for a military in Honduras that is apolitical. It is on our side, that is supportive of national development, supportive of democratic pluralism and that is militarily professional.

I have a five-year plan for Honduras and the countries down there. What we plan to do for the security assistance is in AIASA (Annual Integrated Assessment of Security Assistance). You mentioned the $288 million. It lists not only that $288 million. It deals with the future, the next five years. I will be glad to describe that plan in detail for Honduras or any other country. I can say this is the best that our Military Group can do. By the way, when I was a lieutenant there 30 years ago our Military Groups totalled 750 officers in the 19 countries. There are 88 officers there now. We have 43 officers south of Panama to deal with any kind of military question of a military-to-military nature that those countries have with us; precious little it seems to me. But with those small groups which are up to here in administration, we are trying to say: Okay now, what should our five-year military planning be with, say, Brazil. Very little five-year military planning is actually done. With Honduras it has been a bigger plan because Honduras is threatened first of all by the Sandinistas. Honduras is an ally under the Rio Treaty and we are trying to give them a lot of confidence.

The Hondurans started from practically zero as a military organization back in 1980, facing a Sandinista military organization that had already started to grow, and as you know, was taking over at a very great rate. The Hondurans were very, very concerned about this, and wanted the assurances from us through military assistance that we would help them.

I think we have been very careful in how that help has gone to them. We haven't tried to provide them with all kinds of high-intensity things. We provided them a total of four artillery pieces in five years. We have provided them trucks and other things that will help them out. We haven't tried to give them a lot of helicopters, because that would take a lot of repair parts and a lot of other efforts that they are not prepared to sustain a long period of time. I would hope if you look at the AIASA, which I will be happy to provide you with, I think you will find it reasonable but if you don't I would be happy to discuss that too.

The only other thing I would like to do is deal with one other issue because of time limitations, but I would be happy to see you personally at any time. You said no Latin country supports our policy in Central America. Taking just Central America, I have only been down there a year but I have traveled extensively. I have been to Mexico twice. I have talked to the President of Mexico. I have talked to every president of Central America at least once, except Daniel Ortega. I have been to Honduras every two weeks since I got there a year ago.

I would say this first of all. President Duarte does support the policies for the most part, because he is the man who is really seeing what the threat is. More than anybody else, he sees it, he lives it, so he supports U.S. policy. He just came up and said, as you know, I will talk to my guerrillas if Daniel Ortega will talk to his. I thought that was support.

Now, in the other countries, with the exception of Duarte, every president with the exception of Duarte, and De la Madrid, has changed within the past few months. Cerezo is new as is Azcora, Arias, and you have Del Valle in Panama so everyone, has changed, and you have the usual caution with new presidents in there. I am not a politician, but I see these people as trying to hang on to their honeymoon as long as they can, trying to hang on to their constituencies. They are feeling their way along. They want to make sure that they don't go off too much on one side or the other. It's the kind of thing that a new, democratically-elected president normally does. Whether or not that will continue as they more and more face the hard facts and the months go by, they will probably have to make some decisions.

For example, you have mentioned President Betancur, in Colombia, has said different things at different times during his time as president. At times he has said the guerrillas are people that we have to try to deal with through a truce and discussion, but when it came to the Palace of Justice seizure he didn't say truce and discussion. He said we have to have a firm response.

Mr. **Alexander**. He was under attack.

General **Galvin**. He was under attack, that is right. Duarte is under attack. Some of the others don't feel themselves under attack, and so they are milder. Now, I don't want to try to criticize them. Those presidents are new, and it will be interesting to see what we hear from them as the year rolls on.

I didn't try to deal with other questions, but I would be happy to continue that with you, sir.

Mr. **Alexander**. Thank you, sir.

Mr. **Hefner**. Mr. Edwards.

Mr. **Edwards**. Thank you, Mr. Chairman. I didn't realize that we were really going to get over into a general discussion of Central American policy.

Mr. **Alexander**. Neither did I.

CENTRAL AMERICAN SUPPORT FOR U.S. PRESENCE

Mr. **Edwards**. You know it is true that we have put a lot of money into Central America. My other subcommittee is the Subcommittee on Foreign Operations, which has jurisdiction over the military and economic assistance that we provide to other countries, and I am very conscious of the amounts of money that we have spent.

I would say that if you were to assess the success or failure of a policy, you would have to look at bottom lines. And the bottom line is that in Central America we have had a major shift in the years I have been in Congress from totalitarian or authoritarian states to elected democracies. I think if there is any place in the entire world that U.S. foreign policy can be pointed to as an unqualified success, it is in Central America, where we now have a democracy in El Salvador, a democracy in Honduras, and a democracy in Guatemala. I have been present as an observer at the elections in those countries. They are free democratic elections. And I think we should be very pleased with that.

I would also say that the gentleman from Arkansas is a politician and so am I, and we know what sorts of things influence comments that are made by various people in public office. I suppose that if I were the president of Costa Rica, which doesn't have an army, or if I were the president of Honduras—I have been down there and seen the Honduran air force—and I had next to me, next door, the single greatest military power ever assembled in Central America, I might be a little reluctant to say publicly, "Go get them—guys, I am for you."

But I will say that I have talked privately to the presidents of a great many of those countries on my repeated trips down here, and I will tell you that they do say privately that they want our help. And I think those of us who have been down there and have talked to the presidents of those countries know that.

They are going to say things for public consumption and do other things for private consumption, unfortunately, just the way we do. But I think for us to——

Mr. **Hefner**. Who does?

Mr. **Edwards**. Some Members of Congress do. I think there is a real danger in looking at some of the things that are said by presidents in some of the Central American countries who are under the gun, and say, "My gosh, nobody supports our policy. We are all alone down here."

I would also suggest that all of that is a matter more for the people in the State Department and in the White House than it is for Mr. Sanchez and General Galvin, whose job is the security of the United States and what must be done to protect the southern flank of this country.

I would just state to you gentlemen that while you do have questions about some of the spending that we do in Honduras, I want to make sure that we are not being misled about how much is being spent, I will support what it is, but I want to know that I am being told the truth about what it is and how much it is because we have the responsibility to account for the money. I don't feel apologetic for supporting it and you should not feel apologetic about asking for the kind of support that is necessary not only to carry out our Central American foreign policy, but also to guarantee the security of the United States through training, exercises, and whatever else is necessary.

I will not get into questions. I will rest on joining the debate.

Mr. **Alexander**. You see, General, we are usually unanimous.

Mr. **Sanchez**. Mr. Chairman, may I make one comment on support, because I think it is important what we hear from the presidents both privately and publicly. I just returned from a trip Friday through the area and had a chance to talk to most of them, no different from what you have heard before or what you have heard also from them, Congressman.

I believe that it is very important also to see what the public reaction is, what does the public in Costa Rica believe about this, and

I am talking about military support to the anticommunist democractic forces in Nicaragua. The latest poll that was taken by one of Gallup's affiliates in Costa Rica shows that over 50 percent approve of military support, to the democratic forces; and slightly higher, almost close to 60 percent of the people in Honduras approve of it; 9 percent, 11 percent, disapprove of it. So I think that is very important also, since we are getting into a democratic, elected system. I think this is very important to consider.

Mr. **Alexander**. I think we have different sources of information. I would like to see that poll.

Mr. **Sanchez**. Yes, we will get it to you.

Mr. **Alexander**. If you could show it to me. I will certainly pursue it.

Mr. **Sanchez**. It is already in the Congressional Record, sir, but we will get it for you.

Mr. **Hefner**. Before we go into closed session, do you have any questions?

Mr. **Coleman**. Mine will probably relate to the closed session. I notice, like geography, there are two views being expressed that I am not so sure are going to be helpful to all of us in either extreme, the tendency of people from Oklahoma and Arkansas to be on the extremes, at least as far as my state is concerned.

Mr. **Hefner**. You have no questions for the open session?

Mr. **Coleman**. I don't have any for open session.

Mr. **Hefner**. Mr. Lowery.

FORCES INFLUENCING DEMOCRATIZATION OF CENTRAL AMERICA

Mr. **Lowery**. Mr. Chairman, talking on the general subject of our involvement in South Command, particularly in Central America, I would like to put this question to both of our witnesses. Specifically, what has it been in U.S. policy that has helped encourage efforts that has democratized the Central American region? We have gone from total dictatorships, as Mickey Edwards so eloquently pointed out, to democracies, albeit in some cases fragile, in four out of five of those countries, all but Nicaragua. If you could outline the views, what has been responsible for the transformation?

Mr. **Sanchez**. I believe one of the most important factors that has contributed to this is the fact that we clearly stated this five years ago—because a lot of this transformation has taken place in this period of time, although it did start before. We laid down a policy in very general terms, that we supported democracy, democratic institutions, human rights, et cetera, that we supported economic development, social and economic development in the area, that we were prepared to give security assistance, military assistance to countries like El Salvador, where we gave it to them when they were really in danger in 1981, and we have seen a tremendous change in that country. That is a good example, I think, as to what other countries see developing there.

Also, the fourth primary principle laid down in our policy was the fact that we also supported negotiations, both bilateral and multilateral negotiations. I think that there has been a consistency, certainly in the last six years, in trying to show that we are serious about this. We have improved, and I am not saying we are there, but we have improved our credibility with these countries, and we have shown with the example of El Salvador that we are willing to support it.

It hasn't only been a plan or a statement on our part, but we have been willing to get down there and do it. We have been willing to do what General Galvin has mentioned in Honduras, to show not only friend but foe that we are prepared to support if necessary—and let's hope that that is not the case—any development of an attack from what has been developing in Nicaragua.

I think also that what they have seen down there is the danger, the danger posed by the totalitarian Communist government that has taken over from the authoritarian Somoza government in Nicaragua, they don't want that kind of a change.

They also I believe, see and recognize, and especially the countries to the south, the bigger, the larger countries, that statism, state-controlled industries don't pay off, that the free market economy does give them a much better chance of developing the economies in their countries and improving their social conditions. So I think it is a combination of all this, with the fact that we have shown a determination and a consistency in our willingness to support these developments.

Mr. **Coleman**. Will the gentleman yield?

The only comment I have, I think that you are doing what you have to do and what is being required of you, and indeed the point that the General made concerning our presence is critical for their mission. I think that is the key to it in the way that our neighbors to the south will feel, and least will fulfill our promises. I think for us to get any further afield on the overall issue of foreign policy and to say it is an unqualified success goes to the other extreme in my opinion.

I don't think this country needs to be very proud of our foreign policy in the region. The Kissinger Commission highlighted some of those problems that we still have the things we are not doing. I hope for purposes of this committee we can kind of keep it on that level as to what it is we are requiring the military to do. I think that will really be helpful.

Mr. **Hefner**. Why don't we at this time close the meeting. We have some questions and we want to have some discussions that are very candid, if we can do that.

Mr. **Lowery**. Mr. Chairman, in response to my colleague's comments, we have unanimous consent we haven't reached perfection.

General **Galvin**. Mr. Chairman, I would like to make one comment, if I could, before we close. Well, I can make it afterwards.

EXECUTIVE SESSION

GAO REPORT ON EXERCISE CONSTRUCTION

Mr. **HEFNER**. Did you want to rehash something that was said earlier?

Mr. **SANCHEZ**. I just wanted to state there must have been a misunderstanding here on what that GAO report says, because the report determines that exercise projects meet the statutory requirements of 10 U.S.C. 2801, that that activity is under operational control of the Secretary of the military department or the Secretary of Defense.

Mr. **ALEXANDER**. Mr. Chairman, I would like to submit for the record an opinion of the Comptroller General of the United States dated January 30, 1986, reference B-213137, on page 2.

[The information referred to follows:]

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-213137

January 30, 1986

The Honorable Bill Alexander
House of Representatives

Dear Mr. Alexander:

This responds to your April 19, 1985, request that this Office update our legal decision B-213137, June 22, 1984 (published in unclassified form at 63 Comp. Gen. 422 (1984)). That decision addressed the propriety of the Department of Defense's (DOD's) use of operation and maintenance (O&M) appropriations for three categories of activities in connection with its conduct of joint combined military training exercises in Honduras: construction activities, training of foreign forces, and provision of civic and humanitarian assistance to Honduran civilians. In response to your request, we have reviewed actions taken by DOD in light of our previous recommendations concerning each of these three categories of activities. We have also reviewed the manner in which the Department has conducted exercise activities since Ahuas Tara II. Our detailed legal analysis is set out in the enclosure.

Our previous decision addressed the propriety of DOD's use of O&M appropriations, during military exercises in Honduras, for a variety of activities ordinarily funded from other appropriation categories. Specifically, we concluded that DOD had improperly financed foreign aid and security assistance activities through its O&M accounts. We also concluded that the Department may have misapplied O&M appropriations for exercise-related military construction, if costs of specific projects in Honduras exceeded $200,000 per project. We recommended that the Department make funding adjustments where necessary to reimburse its O&M accounts, or declare Antideficiency Act violations to the extent adjustments could not be made.

In conducting our review of DOD's implementation of our previous decision, we encountered a considerable amount of disagreement by DOD officials with some of our basic legal conclusions, particularly with regard to the treatment of exercise-related engineering activities as military construction. In light of these comments, we have reexamined our previous conclusions in some detail. As discussed in the enclosure, we reaffirm the legal conclusions reached in our previous decision. We have attempted to address the specific concerns raised by DOD officials, again particularly as to exercise construction activities.

Based upon our current review, the Department's implementation of our June 22, 1984, decision has, in several respects, failed to meet our previous concerns. On the one hand, reimbursements made to DOD's O&M account for funds improperly used for training of Honduran forces respond to the objections raised in our previous opinion. On the other, we disagree with DOD's conclusion that all Ahuas Tara II construction projects cost under $200,000, and thus were properly financed with O&M appropriations. As is detailed in the enclosure, we find that determination to be based on a questionable application of military construction accounting principles, particularly those used to define the scope of individual construction projects. In addition, we question DOD's later modification of those principles in determining costs attributable to construction projects in subsequent exercises. With regard to civic and humanitarian assistance, we restate our earlier conclusion that such activities during Ahuas Tara II should have been financed with foreign assistance appropriations specifically provided by the Congress to the President for those purposes. Since our previous decision, the Congress has enacted additional funding authority for civic and humanitarian activities by DOD. We find DOD's interpretation of that new authority to be reasonable, although we remain concerned that the large scale of such activities may go beyond the levels contemplated by the Congress. Consequently, we recommend further clarification of DOD's authority in this area.

Because congressional authority is largely asserted through the appropriations process, the Congress places great significance on the rules that govern the use of appropriations by Federal agencies. It has devised specific measures to ensure that those rules are followed, and that, for instance, programs in one area are not supported by appropriations intended to be used elsewhere. E.g. 31 U.S.C. §§ 1301(a), 1341(a), 1532. In the present case, the cognizant congressional committees have also expressed concern over the Department's utilization of exercise O&M funds for activities within the scope of other funding sources. Thus, the House Committee on Appropriations has stated:

> "* * * [T]he Comptroller General ruled on June 22, 1984 that the JCS exercises in Central America clearly went beyond what [exercise O&M] funds are being appropriated for. For example, the Comptroller General found that funds appropriated for operation and maintenance of our armed forces were used for military construction projects, security assistance activities, and civic action and humanitarian assistance. The Committee believes such diversion of funding from properly appropriated purposes is

> unwarranted and directs that the Department of Defense take such steps as necessary to prevent recurrence of such improprieties in the future." H.R. Rep. No. 1086, 98th Cong., 2d Sess. 40-41 (1984).

As the enclosure indicates, further action is required by DOD in order to meet the concerns of this Office, and of the Congress.

Sincerely yours,

for Milton J. Socolar

Comptroller General
of the United States

Enclosure

ENCLOSURE

DOD USE OF OPERATIONS AND MAINTENANCE APPROPRIATIONS IN HONDURAS

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B-213137

DIGESTS

1. Under 10 U.S.C. § 2805(c), operation and maintenance (O&M) appropriations of the Department of Defense (DOD) may be used to finance minor military construction projects, but only to the extent that such projects cost $200,000 or less. In applying this $200,000 authority, DOD's own guidance provides that the various services may not treat clearly interrelated construction activities as separate construction projects. Based on this guidance, several O&M-funded military construction projects built in Honduras during the Ahuas Tara II military exercises appear to have exceeded the $200,000 O&M authority of 10 U.S.C. § 2805(c). In addition, DOD cost computations for O&M-funded construction after Ahuas Tara II have been understated, because of DOD's failure to include all costs attributable to that $200,000 authority.

2. DOD may not use its O&M appropriations to finance training of foreign forces in a manner comparable to that ordinarily provided as security assistance. Funding adjustments made by DOD for improper training of Honduran forces during the Ahuas Tara II military exercises respond to the principal concerns raised by GAO in 63 Comp. Gen. 422 (1984). After Ahuas Tara II, instances of O&M-funded training of Honduran troops by U.S. Special Forces during military exercises have continued. Those activities are authorized to be financed with O&M appropriations only to the extent that such training is not comparable to--nor is it intended as--security assistance. Although GAO does not have sufficient information to determine if these requirements have been met, further action should be taken by DOD, pending congressional clarification of the Special Forces role, to ensure that O&M-funded exercises are not used to finance security assistance activities.

3. Prior to enactment of specific authority in the 1985 DOD Appropriations Act, DOD had only limited authority to use its O&M funds for civic and humanitarian assistance, for which the Congress has separately established and funded programs under the Foreign Assistance Act. GAO reaffirms its conclusion in 63 Comp. Gen. 422 (1984) that, based on the broad scope and amount of O&M-funded assistance carried out by DOD during the Ahuas Tara II exercises, the Department exceeded its funding authority at that time. With regard to post-Ahuas Tara II activities, GAO finds DOD's interpretation of new funding authority in this area to be reasonable. Due to concerns about the continued large scale of such activities, however, GAO recommends further congressional clarification of DOD's authority.

I. DOD CONSTRUCTION ACTIVITIES IN HONDURAS

A. Background

During the Ahuas Tara II joint combined exercises in Honduras, DOD utilized exercise O&M funds for the construction (or upgrade) of three C-130 capable airstrips, two radar facilities, and four base camps at various locations in Honduras. Facilities were financed with O&M appropriations as "training" for engineering troops. Two of the airstrips were hard-packed dirt, and one was a paved extension to an existing airstrip. Base camps were primarily composed of wooden Central American Tropical (CAT) huts, 16 foot by 32 foot wooden structures with corrugated tin roofs, built from locally-purchased materials. In subsequent exercises, DOD has used O&M exercise funds to construct two additional airstrips and to upgrade facilities constructed during Ahuas Tara II. This exercise-related construction has been used to support a continuous U.S. military presence in Honduras, carrying out a variety of training and operational functions.

Our June 22, 1984, decision held that DOD should have accounted for the majority of construction activities in Honduras during Ahuas Tara II as military construction, rather than as operational expenses of the exercise. 63 Comp. Gen. 422, 433 (1984). Our holding was based on several factors. First, we noted that the previous decisions of this Office have construed 41 U.S.C. § 12 to require that DOD construction projects be specifically authorized by the Congress. The principal basis for our conclusion, however, was the appropriations law principle that funds from one category of appropriations may not be used for an activity falling specifically within the scope of some other category of appropriations (in this case, military construction appropriations). 63 Comp. Gen. at 427-28. Compare 31 U.S.C. § 1532 (prohibiting transfers from one appropriation to another except as specifically authorized by law). We stated that, while certain "minor construction clearly of a temporary nature" may be funded as operational expense, the majority of exercise-related construction in Honduras did not fall into that category. 63 Comp. Gen. at 436.

Although our June 1984 decision concluded that DOD should account for exercise-related construction as military construction, it also recognized that specific statutory authority in title 10 permits military construction projects under $200,000 to be financed with O&M appropriations, rather than with military construction funds. 10 U.S.C. § 2805(c). We stated that, to the extent construction activities in Honduras fell within the latter authority, use of O&M funds was permissible.

In summary, we previously ruled that DOD construction activities in Honduras, as with any other military construction, could be O&M-funded if under $200,000 per project, and must be funded with military construction appropriations if over $200,000 per project. It is equally important, however, to note what the decision did not say. Although it is clear from our previous decision that we considered the airstrips, base camps, and radar facilities constructed during Ahuas Tara II to be subject to the funding rules generally applicable to military construction projects, we did not specifically delineate what other types of engineering activities should be considered as constituting military constructon projects. In addition, while setting out the general rule stated above, GAO did not make specific findings on whether individual projects were in fact under or over $200,000. In this regard, we did not specify the types of costs that should be counted against the $200,000 authority of 10 U.S.C. § 2805(c), or what activities constituted a single "project." Rather, in transmitting our decision to DOD, we recommended that the Department reexamine its accounting of exercise-related construction: to the extent that any projects exceeded the $200,000 authority of 10 U.S.C. § 2805(c), we stated that the Department should reimburse its O&M account with military construction funds, if possible, and if not possible, to report Antideficiency Act violations. We also recommended that the Department reexamine its funding of post-Ahuas Tara II exercise activities to ensure compliance with the rules set out in the decision.

Thus, by remanding the matter to DOD, we left it to the Department to address three issues: (1) what specific types of exercise-related engineering activities are considered military construction, subject to the funding rules specified in our June 22, 1984, decision; (2) what constitutes an individual construction "project," for purposes of applying the $200,000-per-project O&M authority of 10 U.S.C. § 2805(c); and (3) what types of costs should be included in applying that $200,000 authority.

The following discussion reviews how DOD has addressed each of these three issues, both for Ahuas Tara II construction, and for construction during later exercises. We also provide our views as to the adequacy of DOD's response.

B. Exercise Engineering Activities as Military Construction

The Defense Department's initial response to the Comptroller General decision was provided in a December 31, 1984, letter from Deputy Secretary Taft. According to Mr. Taft:

> "This Department concurs in your interpretation of the law regarding funding for public buildings and public improvements. The Services, under the oversight of the Assistant Secretary of Defense (Manpower, Installations and Logistics), have reviewed their operation and maintenance (O&M) costs for all the engineering activities in Honduras associated with both the Ahuas Tara I and II exercises. The results of this review show that there is no requirement to make any funding adjustments between O&M and Military construction appropriations, as all projects were costed at less than $200,000."

The construction projects identified in Mr. Taft's December 31 letter cover all but one of the engineering activities identified by GAO as military construction.[1] Mr. Taft's letter thus indicates DOD's acceptance of GAO's identification of base camps, air strips, and radar facilities as activities that the Department should have accounted for as military construction. This is further reflected in DOD's application of standards delineated in Army Regulation (AR) 415-35 (October 15, 1983) to the activities so identified. That regulation, entitled "Minor Construction, Emergency Construction, and Replacement of Facilities Damaged or

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[1] The missing costs are those for the radar station at Cerro la Mole, described at 63 Comp. Gen. 422, 438 (1984).

Destroyed," establishes project costing principles for minor construction projects.[2]

Notwithstanding the Department's apparent acceptance of GAO's treatment of Ahuas Tara II engineering activities as military construction (and the funding limitations imposed thereby), it is clear from our review of DOD's actions that those DOD elements primarily responsible for implementing that decision (particularly the U.S. Southern Command (SOUTHCOM) and the U.S. Forces Command (FORSCOM)) strongly disagreed with the concept of applying military construction accounting principles to exercise-related construction of any type. Thus, during the process of recomputing project costs for Ahuas Tara II, both SOUTHCOM and FORSCOM officials stated the view that any construction conducted during the exercise was merely an incidental result of troop training--an authorized O&M activity--and should not be subject to the accounting requirements of military construction projects. Both commands agreed to cooperate in compiling cost information, but objected to the application of AR 415-35 accounting principles to exercise-related engineering activities. Specifically, officials at FORSCOM argued that certain requisite elements for application of AR 415-35 (and thus of military construction accounting principles generally) were not present in the case of Ahuas Tara II construction, including the requirement that work be accomplished on a military installation.3/ Similarly, the SOUTHCOM staff judge advocate argued that no exercise-related construction in Honduras fell within the definition of "military construction" in title 10, principally on the grounds that no such construction took place in areas under U.S. operational control.

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[2] In the ordinary case, military construction is accomplished by contract. In such cases, the determination of costs chargeable to a particular project is a straightforward one, based upon applicable contract costs. Where, because of the minor nature of the project or where justified on some other basis (including troop training) construction projects are not primarily performed by outside contractors, determination of costs chargeable to a particular construction project is more complicated. Such projects, overwhelmingly falling within the category of minor military construction, are normally subject to strictly-enforced authorization and funding controls, implemented through regulations such as AR 415-35 and DOD Directive 7040.2, "Program for Improvement in Financial Management in the Area of Appropriations for Acquisition and Construction of Military Real Property" (January 18, 1961, as amended). These regulations, designed to ensure that all military construction is financed from funds available for that purpose, provide guidance as to what constitutes military construction, how to determine project scope, and what types of costs should be included as attributable to a particular construction project. The specific standards established under these regulations are described in more detail where appropriate in the discussion that follows.

These dissenting views have not been formally expressed by the Department in its response to our June 22, 1984, decision. Nonetheless, it is important that they be addressed, not only to clarify our previous holding, but also to ensure that rules governing the funding of military construction projects are uniformly applied. As is indicated below, DOD's modification of ordinarily applicable funding rules in the case of exercise-related construction may reflect an attempt to accomodate the SOUTHCOM and FORSCOM positions.

As indicated earlier, our holding in 63 Comp. Gen. 422 (i.e., that DOD should have accounted for the majority of its construction activities in Honduras as military construction) was primarily based on the fact that the Congress specifically appropriates funds to the Department for the construction of temporary or permanent public works, military installations, and facilities. Id. at 433. We held that the construction of base camps, airstrips, and radar facilities in Honduras, even if built during the course of training exercises, fell within the scope of military construction appropriations and must be funded as such (except to the extent that use of O&M funds was specifically authorized under the $200,000 authority of 10 U.S.C. § 2805(c)). SOUTHCOM and FORSCOM apparently dispute our characterization of facilities constructed during Ahuas Tara II as military construction projects.

The Department's authority to carry out military construction activities (for which military construction appropriations are provided) is set out in 10 U.S.C. §§ 2801-08. According to section 2801 of title 10, U.S. Code, "military

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3/ FORSCOM staff has also argued that exercise-related construction did not result in the creation of real property facilities. We note, however, that all the facilities described in our June 22, 1984 decision correspond to DOD facilities classes or construction categories, delineated in DOD Instruction 4165.3, October 24, 1978.

construction" is defined as including any construction, development, conversion, or extension carried out with respect to a military installation. The term "military installation" is a broad one, covering any "base, camp, post, station, yard, center, or other activity * * * in the case of an activity in a foreign country, under the operational control of the Secretary of a military department or the Secretary of Defense." 10 U.S.C. § 2801(b), (c)(2) (emphasis added).[4] Thus, construction activities, unless carried out "with respect to" an activity under U.S. military operational control, do not constitute military construction projects.

According to the SOUTHCOM staff judge advocate, all engineering activities during Ahuas Tara II took place in areas under Honduran, not U.S., control. Thus, U.S. personnel, while present to protect U.S. assets, had no authority to exclude Hondurans from project sites.

The concept of U.S. operational control is not defined in title 10 or its legislative history. In our view, however, the term should not be construed so narrowly as to exclude overseas facilities over which the U.S. military may, by formal or informal agreement with a foreign government, exercise a large measure of control, even though subject to certain rights of the host country. The exercise-constructed Joint Task Force Headquarters at Palmerola, for example, exists by agreement with the Honduran government. While the authority of the commanding officer may be subject to the conditions of that agreement (express or implied), it is in our opinion clearly a military installation within the meaning of title 10.

In addition, both the Congress and DOD have, in practice, applied the military construction label to facilities over which the U.S. exercises little or no day-to-day control, but which may serve U.S. contingency or follow-on needs. See e.g., H.R. Rep. 850, 98th Cong., 2d Sess. 13-14 (1984) (describing runway improvements at the Honduran Air Base of La

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[4] The legislative history of the Military Construction Codification Act, in which these definitions are set out, indicates that references to the Secretaries of the various military departments, and the Secretary of Defense, are intended to cover their designees as well. See H.R. Rep. 612, 97th Cong., 2d Sess. 15 (1982).

Cieba as a military construction project).[5] By comparision, many of the exercise-constructed facilities in Honduras have been used in follow-on exercises or non-exercise activities, indicating that, even at the time of construction, a more extensive use (follow-on or contingency) was contemplated.[6]

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[5] _See generally_ the discussion of overseas military construction in our recent report GAO/NSIAD-85-158, September 30, 1985. There we stated:

> "The United States continues to develop and maintain foreign military bases. The trend in base construction overseas has been for the host country to own the real property and all improvements made by the U.S. government to that property. Once the United States completes construction of a base or makes other real property improvements, the foreign government normally takes title to them, and the United States has access to the property in accordance with a signed agreement. In some instances, the United States has exclusive base rights, while in others, the base is shared with armed forces of the host country. The U.S. government retains title to equipment, materials, relocatable structures, etc., which are not incorporated into the real property." _Id._ at p. 57.

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[6] SOUTHCOM has presented a number of other arguments against the treatment of exercise-related engineering activities as military construction: (1) GAO's ruling categorized engineering units as the only armed services branch not permitted to use O&M funds for training; (2) GAO's reliance on 41 U.S.C. § 12 was misplaced, as that provision only concerns government contracts; and (3) applying military construction funding limitations to engineering support of combat units would jeopardize the success of those units in time of war or conflict.

To respond briefly: (1) GAO did not rule that engineering units were prohibited from using O&M funds for training, but rather that when that training results in the creation of military installations, it must be financed as military construction. This is not inconsistent with longstanding DOD policy. See e.g., AR 415-32, June 23, 1967 (regarding training of engineering units in the continental U.S. by assignment to projects within the Military Construction Program). On the other hand, there is nothing that prevents DOD from designating a portion of its overall military construction budget towards training of engineering units through exercise-related construction projects. (2) 41 U.S.C. § 12, prevents agencies from entering into contracts for public improvements except to the extent that funds have been specifically appropriated. GAO has in the past considered that provision to require specific authorization for DOD's construction activities even when performed by troop labor. See B-133316, January 24, 1961, discussed at 63 Comp. Gen. 422, 433 (1984). In the present case, some construction was in fact performed or supported by private contractors (i.e. airstrip paving at Trujillo, upgrade construction at Palmerola). Even where not, however, DOD's overall authority to carry out military construction projects is limited to those "as are authorized by law." 10 U.S.C. § 2802(a). (3) Congress has established broad authority in title 10 for the Secretary of Defense to undertake military construction projects not otherwise authorized in time of war or national emergency. 10 U.S.C. § 2808. In addition, the Secretary has considerable flexibility to carry out emergency and contingency construction. 10 U.S.C. §§ 2803-04. These authorities were not applicable in the situations under discussion.

Thus, it is still the view of this Office that exercise-related construction activities such as those described in our previous decision fall within the definition of military construction, and are therefore generally subject to financing rules applicable to military construction.[7]

We do not mean to suggest, however, that every single engineering action in support of a military exercise constitutes a military construction project. We have previously recognized that "clearly minor and temporary" construction may be financed as operational expenses of an exercise. Thus, SOUTHCOM, FORSCOM, and Army engineers have attempted to differentiate between categories of construction activities through creation of a classification scheme. That scheme classifies as operational expenses "transitory" engineering activities (routine engineering activities performed in a field operating environment, such as perimeter security), and artifacts created incidental to exercises but intended to be later dismantled or abandoned (including CAT huts and airfields not intended for later use). The latter category, however, may not adequately take into consideration follow-on or contingency use by DOD. As indicated earlier, the majority of exercise-related construction during Ahuas Tara II resulted in the creation of facilities utilized later for exercise or other requirements, some on a virtually continuous basis.

A third category in the classification scheme designed by FORSCOM and SOUTHCOM is that of engineering activities resulting in the creation of an artifact intended for later use. This category is further subdivided, depending on whether the "artifact" is, or is not, in an area under U.S. operational control. If under U.S. control, the artifact is considered military construction; if not, the artifact is deemed to be civic/humanitarian assistance incidental to the exercise. As stated above, however, we disagree with SOUTHCOM and FORSCOM's strict interpretation of the concept of U.S. operational control, and thus consider the subdivision within this category to be largely unnecessary.

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[7] We recognize the difficulty, under some circumstances, in applying these principles to other types of engineering activities. The construction of a "pioneer road" during the recent exercise Cabanas is not a military installation in the usual sense of that phrase. Nonetheless, it constitutes an activity under the operational control of the U.S. (during construction, and, after completion, during military exercises; actual control is, of course, under informal agreement with--and subject to specific rights of--the Honduran government). It is therefore our view that DOD is correct in its treatment of the Cabanas activity as a military construction project.

C. Project Scope

One principal consideration in accounting for military construction activities is the criteria used to determine what constitutes an individual "project." Because the $200,000 O&M authority of 10 U.S.C. § 2805(c) is limited to individual construction projects, the issue of how projects are defined is clearly an important one where, as in Honduras, construction is primarily funded through the O&M account.

According to 10 U.S.C. § 2801, a military construction project includes all military construction work necessary to produce a "complete and usable" facility (building, structure, or other real property improvement) or a "complete and usable" improvement to an existing facility. Army Regulation 415-35 also provides additional guidance on application of the concept of "complete and usable facility." For example, paragraph 2-4 warns against acquisition or improvement of real property facilities through a series of minor construction projects, or subdivision of projects to reduce costs to levels meeting the statutory cost limitation.

At the time of its most recent revision, AR 415-35 was supplemented by an explanatory statement issued by the Department of the Army. That statement, dated October 19, 1983, provided additional guidance on determining the scope of minor military construction projects.[8] According to the statement, the new regulation--

> "* * * is not to be construed as authority to build what a reasonable person would consider a usable project by breaking it into quasi-

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[8] "Minor" military construction projects are those costing $1 million or less. 10 U.S.C. §§ 2805(a), 2828 note. They may either be "specified" (specifically authorized in an annual authorization act), or "unspecified" (authorized as considered necessary by the Secretary of Defense, within the limits of a lump-sum authorization provided by the Congress). Section 2805(c) of title 10 permits O&M appropriations to be used only for unspecified minor construction projects costing $200,000 or less.

> increments (i.e. an airfield cannot be broken into runway, parking apron, taxiway, control tower, navigation aids and maintenance hangar) under the guise they are complete and usable, stand-alone projects under $1 million. It is not feasible to prescribe absolute criteria for determining what scope of work would, under all possible circumstances, properly make up a separate minor construction project. However, actions at all levels of command to initiate and approve minor construction projects must be based on good judgment consistent with the new definition of a minor construction project. Commanders must insure that there is never a splitting of projects into increments solely to reduce the costs thereof below an approved threshold or maximum ceiling amount for unspecified minor construction projects * * *."9/

This guidance was further elaborated upon in an October 24, 1984, Department of the Army message:

> "Project incrementation occurs when construction of multiple projects is required to make a single facility or improvement to a facility complete and usable. An honest assessment of what constitutes a complete and usable facility or complete and usable improvement to an existing facility must be based on good faith, sound judgment and conformance with all requirements and limitations in AR 415-35. Consider the following examples: (A) An airfield exists and is in use. There are concurrent requirements for a new control tower and an addition to the hangar. Each is properly a separate project since each is independently complete and usable upon completion. Example (B): A new airfield is to be constructed where none now exists. One facility is dependent upon the

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9/ This guidance is intended to discourage splitting of major military construction projects (over $1 million) to permit funding through the unspecified minor military construction account. It is equally applicable, in our view, to the splitting of minor military construction projects (under $1 million) to permit funding through the O&M account under the $200,000 authority of 10 U.S.C. § 2805(c).

> other. Classification of each facility as a separate project would be improper. While each may be complete, such interrelated facilities are not, in fact, independently usable."

This latter guidance indicates that, where engineering plans contemplate the creation of a group of interrelated facilities at one time, those facilities should be considered together as one "project."

1. Ahuas Tara II projects. Mr. Taft's letter concerning the recalculation of construction costs for Ahuas Tara II engineering activities specifies the following as separate projects:

Location	Project	Cost
Aguacate	Airfield	159,000
	Base camp site prep.	8,000
	c/46th En Bn Cantonment	19,300
	Water supply pipelines	1,600
Choluteca	Terrain reinforcement	10,800
Tiger Island	Emergency airstrip	500
	Roads and site prep	3,000
	Base camp water well	1,700
Palmerola	MP TF Cantonment	22,000
	SIG TF Cantonment	38,100
	AVN TF Cantonment	55,500
	JTF Cantonment	54,000
	SPT Cantonment	79,800
	Hospital Cantonment	32,000
	JTF Command Bunker	2,600
	Personnel Shower	2,600
	Vehicle Washrack	700
San Lorenzo	Airfield	35,300
	Base camp site prep	16,400
	Base camp obstacles & serv	8,200
	Cantonment areas	159,000
	Dining facilities & water tower	13,300
	Electric distribution system	2,500
	Helipads	800
	Hospital	3,700
	POL berms	1,000
	Post exchange	3,300
	Base camp road upgrade	7,500
	Sewer line	4,500

	Water wells	600
Trujillo -	3-319 Artillery Cantonment	142,000
	Airfield improvements	130,000
	SEABEE Cantonment	136,000

Even a cursory examination of this information reveals an inconsistency between the scope of projects as determined by DOD in Honduras and the established DOD guidance described above. In a number of cases, clearly interrelated facilities constructed during the same timeframe at one location are considered separate projects. For example, at San Lorenzo, barracks or cantonment areas are considered as separate projects from the post exchange and dining facilities constructed to service the personnel living in them. At Palmerola, five cantonment areas, all completed in December 1983 or January 1984--at a combined cost of about $250,000 in materials alone--were considered separate projects, apparently because they each were inhabited by personnel from different units (although all were under the command of the Joint Task Force commander at Palmerola).

2. Post-Ahuas Tara II projects. In at least one case, DOD's determination of construction project-scope for engineering activities after Ahuas Tara II also does not appear to follow the guidance of AR 415-35 and related instructions. In the recent exercise Cabanas, construction of a main road from San Lorenzo to Jocon was considered a project separate from the improvement of an existing road from Olanchito to San Lorenzo, even though the latter was integrally related to--and was in fact considered a necessary prerequisite for--construction of the former. Both of these "projects" were considered separate from a base camp constructed to support the entire effort. It thus appears questionable whether DOD's funding of Cabanas as several projects, each within the $200,000 O&M authority of 10 U.S.C. § 2805(c), is proper.

D. Types of costs

Another principal consideration in accounting for military construction activities is the problem of determining what types of costs must be considered attributable to a specific construction project, for purposes of applying the $200,000-per-project authority of 10 U.S.C. § 2805(c). As discussed below, DOD has not used a consistent approach in determining such costs.

1. Ahuas Tara II cost compilations. According to Mr. Taft's December 31, 1984 letter, reconstructed cost information for Ahuas Tara II engineering activities (as detailed in enclosure A of that letter) were determined in accordance with AR 415-35. Mr. Taft's letter states that costs listed "include materials, supplies, services, etc. as well as transportation of those items. Also included is the cost of maintenance and operation of government owned equipment."

As stated earlier, AR 415-35 implements DOD's minor construction authority, contained in 10 U.S.C. § 2805 (1982). It provides comprehensive guidance on approval and funding of all minor construction projects of $1 million or less. Paragraph 2-2 of AR 415-35 delineates the types of project costs that are to be included in calculating the overall cost of any given construction project; as a general rule, only "funded" costs are included. Among costs specified as "funded" are materials, supplies, services, installed equipment, transportation costs, costs of travel and per diem for troop labor, equipment use costs (maintenance and operation of government equipment, based on hourly rates included in the regulation), and site preparation costs. Among costs considered "unfunded" (costs provided and accounted for separately, sometimes referred to as "sunk" costs) are those from military personnel appropriations (i.e. troop labor), equipment depreciation, and planning and design costs. A similar delineation of funded and unfunded costs is provided in DOD Directive 7040.2, §§ J-K (January 18, 1961, as amended March 5, 1964).

Our review of construction cost data reported by DOD shows that only two categories of funded costs described in AR 415-35 (materials and equipment usage costs) have been considered by DOD for purposes of applying the $200,000 authority of 10 U.S.C. § 2805(c) to Ahuas Tara II construction. These two cost categories, however, constitute two of the largest of those identified in AR 415-35 as "funded." Other major cost categories, included in AR 415-35 but not counted by DOD, are transportation costs and costs of travel and per diem. Although AR 415-35 designates these categories as "funded," a large portion of such costs in the present case may be attributed to the overall exercise program, rather than to specific construction activities intended to support the program. Thus, much of the transportation costs for JCS-sponsored exercises are generally paid by JCS out of its own (O&M-Defense Agencies) appropriations. In light of these factors, we would not object to DOD's exclusion of transportation costs, and costs of travel and per diem, as "unfunded," at least with respect to JCS-directed exercises. We thus do not object to DOD's use of only materials and equipment costs to compute construction project costs for Ahuas Tara II, as that method, while not in strict conformity with AR 415-35, reflects the majority of funded O&M costs directly attributable to exercise-related military construction projects. As stated previously, however, DOD's costs for Ahuas Tara II construction, even when counting only equipment and materials costs, appear to have exceeded the $200,000 per project limitation of 10 U.S.C. § 2805(c) in at least several instances.

2. Post-Ahuas Tara II cost compilations. In contrast to the Department's use of a "materials and equipment" standard for recomputing construction project costs for Ahuas Tara II projects, the method used to account for construction activities in later exercises shows an even greater departure from costing methods specified in AR 415-35. In fact, the major commands responsible for implementation of the Comptroller General decision have specifically exempted exercise-related construction from the cost accounting guidance of AR 415-35, based on their interpretation of guidance from the Joint Chiefs of Staff.

In November 1984, the Joint Chiefs of Staff issued a directive concerning the types of costs that should be considered attributable to exercise construction projects for purposes of a separate reporting requirement included in Section 123 of the fiscal year 1985 Military Construction Appropriation Act.[10] The directive limited reportable costs of construction activities to materials and POL (petroleum, oil, and lubricants), specifically excluding equipment maintenance, labor, and transportation costs. Although the JCS directive dealt only with the compilation of costs for purposes of section 123, it has been interpreted by SOUTHCOM and FORSCOM to apply as well to other aspects of exercise construction, including for the purpose of determining whether individual construction projects comply with the $200,000 O&M

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[10] That provision states, "The Secretary of Defense is to inform the Committees on Appropriations and Committees on Armed Services of the plans and scope of any proposed military exercise involving United States personnel prior to its occurring, if amounts expended for construction, either temporary or permanent, are anticipated to exceed $100,000." Pub. L. No. 98-473, § 101(e), 98 Stat. 1877, 1882 (1984). According to the House Report, this provision was added because of DOD's failure to inform Congress of its plan for the Ahuas Tara II exercise. H.R. Rep. No. 850, 98th Cong., 2d. Sess. 13-14 (1984).

authority of 10 U.S.C. § 2805(c). Thus, according to the SOUTHCOM staff judge advocate, "JCS has determined that, with regard to exercise-related, O&M funded Army engineer activity, the accounting procedures of AR 435-15 [sic] do not apply." Other expenses are considered attributable instead to the conduct of training for U.S. forces.[11]

By limiting attributable costs to materials and POL, DOD has further reduced the amount of O&M costs counted toward the $200,000-per-project authority of 10 U.S.C. § 2805(c). In actual application, DOD has taken other actions to reduce attributable O&M costs to an even greater degree. In exercise Cabanas, for example, DOD has charged only materials costs as attributable to the project, by arranging to have POL costs reimbursed by the Honduran government under an AID-approved Economic Support Fund project. Thus, a project which ordinarily would be considered to cost about $265,000 (including materials, equipment, and contractor costs and not including some $625,000 in unfunded costs) has been calculated at $133,626 (materials and contractor costs only), for purposes of 10 U.S.C. § 2805(c).[12]

E. Conclusion

This analysis has reviewed the manner in which DOD has addressed three separate issues in implementing our decision of June 22, 1985, as it relates to exercise-related construction. First, on the question of what types of exercise-related engineering activities constitute military construction, we disagree with the view, expressed by officials at the U.S. Southern Command, that facilities not under exclusive U.S. control do not constitute military construction projects. Although we agree that not all engineering activities constitute military construction, the majority of military facilities constructed in Honduras and utilized by DOD for exercise, operational, or contingency requirements, under formal or informal agreement with the Honduran government, fall within this category. Second, in determining what constitutes an individual project, DOD officials have failed to follow established guidance that clearly interrelated construction activities be treated as part of the same military constuction project. It is our view that, using established guidance for determining project scope, several O&M-funded construction projects built during Ahuas Tara II exceeded the $200,000 authority of 10 U.S.C. § 2805(c). Third, it is our conclusion that DOD, in computing costs towards that $200,000 authority for post-Ahuas Tara II construction projects, has also failed to conform to established procedures.

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[11] On July 2, 1985, the Department of the Army announced its intention to amend AR 415-35 to formally incorporate this modification of allocable costs, for exercise construction activities.

[12] The Cabanas "project" discussed above is the main road from San Lorenzo to Jocon. As discussed *supra*, p. 14, we also question DOD's determination that interrelated construction activities during the Cabanas exercise constituted three separate projects. If such activities were all considered to be one project, applicable costs would be well over $200,000 in materials alone.

DOD's failure to include POL costs among Cabanas project costs appears to be in compliance with AR 415-35 § 2-2(b)(3), which includes among "unfunded costs" materials, supplies, and equipment obtained for the project on a cost-free basis. We note, however, that as of September 1985, DOD had not been reimbursed for POL costs by the Honduran government.

According to officials at SOUTHCOM, the Department's departure from ordinary military construction accounting principles for exercise-related construction reflects an intra-agency compromise, intended to conform to GAO's basic holding that exercise-related construction projects be financed as military construction, but also to allow a degree of flexibility, in response to SOUTHCOM and FORSCOM's objections that exercise-related engineering activities do not constitute military construction. While we agree that some degree of flexibility is desirable, it is our view that such a goal may be accomplished within the funding system already established by the Congress.

It may be true that one effect of our relatively strict imposition of military construction accounting principles has been to limit DOD's ability to use its O&M account for any substantial amount of exercise-related construction. To require that DOD use military construction appropriations as the principal funding source for such activities need not, however, act as a major constraint on DOD's engineer exercise programs, as long as the Department ensures that funds are properly budgeted for such projects in its "unspecified minor military construction" account. Alternatively, the Department may wish to work with the Congress to establish a separate account within the military construction budget for military construction projects incidental to military training exercises. Should DOD desire greater flexibility to use its O&M funds for such purposes, it should seek specific statutory authority to treat exercise-related construction projects as operational expenses. Such authority, however, should include safeguards to ensure that exercise-related construction is not used improperly to augment ordinary military construction appropriations.[13]

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[13] See, e.g., the House Report on the 1986 military construction appropriations bill, which indicates that such an augmentation has taken place in connection with exercise-related construction in Honduras. H.R. Rep. No. 275, 99th Cong. 1st Sess. at 10-11, 26 (1985).

II. DOD TRAINING OF HONDURAN PERSONNEL DURING COMBINED EXERCISES

A. Background

During the Ahuas Tara II joint combined military exercises, a GAO field team observed U.S. forces providing a variety of classroom and field training to Honduran military personnel, including training in the use of artillery fire-direction practices, counterinsurgency techniques, and combat medic skills. All these training activities were carried out with exercise O&M funds, and justified on grounds that they were necessary for "interoperability" of forces, and that they provided a variety of benefits to the U.S. forces conducting them.

Our legal decision, 63 Comp. Gen. 422 (1984), addressed the issue of training incidental to combined exercise operations as follows:

> "Whenever combined military exercises are conducted, it is natural (and indeed desirable) that there be a transfer of information and skills between the armed forces of the participating countries. In addition, where there is a marked disparity of military sophistication between the two nations' armed forces, it is not surprising that this transfer is principally in one direction, i.e. to the benefit of the less-developed military force. In addition, as emphasized by the Defense Department, some degree of familiarization and safety instruction is necessary before combined-forces activities are undertaken, in order to ensure 'interoperability' of the two forces.
>
> "At the same time, where familiarization and safety instruction prior to combined exercises rise to a level of formal training comparable to that normally provided by security assistance projects, it is our view that those activities fall within the scope of security assistance, for which comprehensive legislative programs (and specific appropriation categories) have been established by the Congress. Where such extensive 'interoperability' training is in fact necessary, combined exercises should not be conducted without the formal training needed to equalize the participating forces."
> 63 Comp. Gen. at 441.

GAO went on to conclude that the activities observed in Honduras, even if performed to prepare Honduran forces for the exercise events in which they later participated, were comparable to training ordinarily carried out as security assistance, and should have been funded as such. The specific activities in question included: 3-4 weeks of 105 mm artillery training by a U.S. field artillery battalion to each of two Honduran battalions, neither of which had previous experience with such weapons; 5-week courses in combat medicine provided to 100 Honduran troops (thereby cancelling a proposed security assistance project); and basic and/or advanced classroom and field training provided to four Honduran battalions on mortars, fire-direction control, and counterinsurgency tactics (similar to security assistance-funded military training at the Regional Military Training Center in Trujillo, Honduras). We recommended that DOD reimburse its O&M account from security assistance funds to cover those activities improperly financed.

By letter of December 31, 1984. Deputy Secretary Taft informed GAO that "funding adjustments have been made in the amount of $110,000 for those activities identified in the Decision that exceeded [safety and orientation] requirements." Mr. Taft's letter also stated that DOD had provided guidance for future operations to address further concerns.[14]

The principal legal questions to be addressed here are: (1) whether the Department's reimbursement of its O&M account from security assistance funds fulfills the requirements imposed by the GAO decision; and (2) whether actions taken by DOD subsequent to the Comptroller General decision have been consistent with the legal requirements as stated therein.

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[14] In a letter to the Department, dated April 9, 1985, GAO noted that the guidance cited in Mr. Taft's letter of December 31 had not reflected the principal GAO conclusion with regard to exercise-related training of foreign forces: i.e. that the provision of "interoperability" instruction, if conducted at levels comparable to that provided as security assistance, may not be financed with O&M appropriations. Based upon our most recent review of current exercise activities there appears to have been little guidance provided to field personnel concerning the legal restrictions applicable to the training of host country forces.

B. Ahuas Tara II Reimbursements

Based upon Mr. Taft's letter of December 31, 1984, the Department appears to have accepted GAO's determination that some O&M-funded training provided to Honduran military personnel during the course of Ahuas Tara II had been in excess of that authorized. The funding adjustments made by DOD were reported to cover instances of artillery, counterinsurgency, and combat medic training corresponding to those described by GAO.

Although Deputy Secretary Taft reported funding adjustments of $110,000, it appears that the actual amount of adjustments was $105,245. That amount included $10,500 for combat medical training, $5,163 for Special Forces training, and $89,583 for artillery instruction. The adjustment was made by transferring unobligated fiscal year 1984 Honduras security assistance program funds to the Army O&M account.

DOD computed the funding adjustment based on an estimated number of U.S. personnel hours dedicated to training of Hondurans during Ahuas Tara II. According to cost records we reviewed, DOD determined that the following number of personnel provided training:

- 12 Special Forces personnel dedicated 15 workdays;
- 5 officers and enlisted personnel dedicated 3 hours per day over 55 days to combat medic training; and
- 67 officers and enlisted personnel provided artillery training over the course of the exercise.

The costs included by DOD were for military pay and allowances, per diem, and training support expenses. These costs were prorated to reflect the number of days, or hours within each day, dedicated strictly to instruction. According to DOD, officials, transportation costs of U.S. personnel were not included because the training was incidental to the exercise.

Because training was provided by DOD as part of a combined exercise, rather than in accordance with ordinary security assistance procedures, there is little documentation available to verify that costs were computed and prorated accurately. While it appears from our own observations during Ahuas Tara II that reported costs may be understated, the lack of documentation makes it difficult to determine a proper amount to charge for the training. The funding adjustments made by DOD, however, respond to the principal concerns raised in our June 22, 1984, decision.

C. Post-Ahuas Tara II Activities

We have been informed by various DOD officials in Honduras that interoperability and familiarization activities have continued to occur during the course of combined operations, but that no formal training of Honduran military personnel has been provided subsequent to the Comptroller General's June 22, 1984, decision. This Office has not had the opportunity to verify the accuracy of these statements through actual observation. On the other hand, officials at the Special Operations Command (SOCOM) have stated that Special Forces exercises in Honduras subsequent to Ahuas Tara II, in many cases, have resulted in the training of Honduran armed forces. There is substantial evidence to support this statement. "After action" reports for various Special Forces exercise operations, for example, are replete with references to training of Honduran battalions, training schedules and subjects, and sufficiency of classrooms.

While stating that Special Forces exercises in Honduras continue to involve training of Honduran military personnel, SOCOM officials have questioned the applicability of GAO's previous ruling to those specific training activities. Those officials note that part of the role of the Special Forces is to train indigenous forces, and that such a role would be severely restricted if operational funds could not be used to that end. Those officials have also stated that there are significant differences--both in nature and in intention--between exercise-related training of foreign forces and training conducted as security assistance. According to these officials, those differences are substantial enough that each should be considered to fall under a different funding category. As discussed below, we agree with the general principle advocated by SOCOM (i.e. that training of Hondurans during Special Forces operations may be sufficiently different from training provided as security assistance to warrant the use of O&M funds). We have, however, some reservations as to its application.

According to SOCOM, formal security assistance provided by Special Forces personnel involves small teams of instructors, selected from across the ranks of the Special Forces, to conduct relatively long-term, in-depth courses of instruction. The features of such a program are dictated by the training requirements of the host country, and are designed to meet that country's defense needs in specific areas. In contrast, where Special Forces conduct exercises to meet their own training requirements, they remain in the field for short periods of time and deploy as an integrated team of specialists. Any training of indigenous forces is considered a by-product, with the primary objective of the activity being the training of Special Forces to fill their role as instructors of friendly indigenous forces, so that those forces may support combined field operations on a safe and effective manner.

It appears to be SOCOM's view that there are sufficient distinctions--in terms of timeframe, team formulation, purpose, and scope of training--to warrant separate treatment of training conducted as security assistance and that generally conducted incidental to Special Forces field exercises. While Special Forces teams exercising in Honduras have clearly engaged in training of Honduran military forces since issuance of our previous decision, it is SOCOM's view that training has not been at levels that would ordinarily occur in security assistance, primarily because the goal has been to create internal force support for specific U.S. operations, rather than to fill broader Honduran military requirements. In contrast, SOCOM officials have indicated their agreement that training of Honduran forces during Ahuas Tara II, as described in our previous decision, was indeed intended to fulfill specific Honduran security assistance requirements.

The conclusions reached in our June 22, 1984, decision were based upon an application of the fundamental appropriations law rule that general appropriations (such as O&M) may not be utilized to finance activities falling within the scope of other, more specific, funding categories. We concluded that the activities we observed during Ahuas Tara II fell within the scope of security assistance, for which specific appropriation categories have been established by the Congress. 63 Comp. Gen. at 442. For example, the Congress annually provides appropriations for international military education and training (IMET) under sections 541-43 of the Foreign Assistance Act of 1961, 22 U.S.C. §§ 2347-47b. See, e.g., Foreign Assistance Appropriations Act, 1985, Pub. L. No. 98-473, § 101, 98 Stat. 1884, 1895 (1984) ($56 million appropriation for IMET). IMET, by definition, includes "formal or informal instruction of foreign students in the United States or overseas by officers or employees of the United States, * * * [or by] orientation, and military advice to foreign military units and forces." 22 U.S.C. § 2403(n). Similarly, the Congress provides funds under the Arms Export Control Act for a variety of defense articles and services, the latter including formal or informal instruction provided to foreign nationals by "orientation, training exercises, and military advice." See 22 U.S.C. § 2794(5). Both examples show that the Congress has provided specific authorizations and appropriations for the training of foreign forces. Where other appropriations are provided to carry out specifically-defined activities, O&M appropriations are not available to DOD to finance such activities. See 63 Comp. Gen. at 442.

In applying this rule, however, we agree with the Department that some effort must be made to distinguish between training provided as security assistance, and minor instruction provided incidental to other DOD operations. Notwithstanding the broad definitions of "training" under the (separately-funded) authority of the Foreign Assistance and Arms Export Control Acts, it would seem unlikely that the Congress intended to include therein minor training activities incidental to other U.S. operational requirements (rather than conducted to provide assistance to foreign governments). This point, that not all training activities fall within the scope of security assistance, was in fact recognized in our previous decision. There we concluded that minor amounts of interoperability and safety instruction did not constitute "training" as that term is used in the context of security assistance, and could therefore be financed with O&M appropriations. 63 Comp. Gen. at 441.

The Special Forces example raised by SOCOM also demonstrates that there are strong policy reasons for applying such a distinction. Training of indigenous military units is a fundamental role of the Special Forces; such training is provided as a means of utilizing indigenous forces as resources to achieve specific U.S. operational goals. To require that the host country utilize scarce security assistance funds for the limited training thereby imparted would be both impractical and unfair.

While thus recognizing the distinction raised by SOCOM, we reiterate the point made in our previous decision that training conducted incidental to combined exercises, when comparable to that ordinarily provided as security assistance to host country forces, must be financed from funds specifically appropriated for that purpose. As stated earlier, we have not observed individual Special Forces exercise operations since Ahuas Tara II. There are some indications, however, that the broader training requirements of Honduran forces are playing a role in how those exercises are conducted.[15] In the same light, although we agree with SOCOM that there are a number of distinctions in both scope and purpose between training provided by the Special Forces under security assistance programs and that conducted solely to fulfill the Special Forces' own training requirements, there may also be substantial similarities. In Ahuas Tara II, for example, it was clear to GAO observers that Special Forces training of Honduran troops was conducted as a means of providing security assistance. In spite of these concerns about DOD's post-Ahuas Tara II training activities, we do not have sufficient evidence to conclude that those activities have crossed the line between operational support and security assistance.

D. Conclusion

Based upon the foregoing, we conclude that funding adjustments for improper use of O&M appropriations for training of Honduran forces during Ahuas Tara II respond to the principal concerns raised in GAO's June 22, 1984 decision. Subsequent to that decision, O&M-funded training of Honduran forces has been continued by the Department, but justified on the basis of a distinction between such incidental training and that normally provided as security assistance.

Although we generally agree with the legal distinction cited by DOD, we believe that further steps are needed to ensure that such training activities are not utilized as a means of providing security assistance to host country forces. Thus, we recommend that the Congress consider clarifying the role of the Special Forces by specifically authorizing them to conduct (and use operational funds for) limited training of foreign forces during the course of field operations (actual or training exercises), for purposes of ensuring indigenous support of U.S. operations. The Congress may wish to include controls to discourage the use of such training as a means of augmenting ordinary security assistance programs.

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[15] For example, one "after action" report for a post-Lempira Deployment For Training exercise (DFT) (August-November 1984) observed that the Honduran battalion "needs continued training by the same team for an extended period of time." There is also some evidence that DFT's are being conducted in series fashion to increase the readiness of specific Honduran battalions.

Until further action in this regard is taken by the Congress, however, we recommend to DOD that it establish procedures to ensure that exercise-related training of foreign forces, unless financed through the security assistance program, is limited to minor amounts necessary to meet U.S. operational requirements, and is not used as a method of providing O&M-funded security assistance.

III. EXERCISE-RELATED CIVIC AND HUMANITARIAN ASSISTANCE

A. Background

On October 12, 1984, the Defense Department was granted specific statutory authority to use operations and maintenance appropriations for the conduct of humanitarian and civic assistance activities "incidental" to authorized operations.[16] Much of the discussion that follows will focus on how DOD has interpreted that authority in its conduct of civic and humanitarian activities in Honduras since that time.

The legal rules applicable to actions taken before that date were described in our decision, 63 Comp. Gen. 442 (1984). There we stated that the Department's authority to conduct civic/humanitarian activities was limited in scope, consisting primarily of authority to carry out such activities on a reimbursable basis under the Economy Act. We concluded that the broad scope of O&M-funded civic/humanitarian activities conducted by DOD during the Ahuas Tara II exercises in Honduras had exceeded that authority. We therefore recommended that DOD reimburse its O&M account from other appropriate sources.

The following discussion first describes DOD's response to the GAO decision's conclusions on civic/humanitarian assistance, and provides our views as to the adequacy of that response. Following that, we have provided our views on current DOD activities in this area.

B. Ahuas Tara II Activities

Our decision of June 22, 1984 provided the following description of civic and humanitarian assistance activities conducted by DOD during the course of Ahaus Tara II:

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[16] That authority was provided in section 8103 of the Department of Defense Appropriations Act, 1985, Pub. L. No. 98-473, § 101(h), 98 Stat. 1837, 1942 (1984). As a provision within an annual appropriations act, and without a clear indication of congressional intent that it be construed as permanent legislation, the authority provided would have expired at the end of fiscal year 1985. See B-208705, September 14, 1982. It has been extended under section 8072 of the current continuing appropriations resolution. *See* Pub. L. No. 99-190, § 101(b), 99 Stat. __ (1985).

> "During Ahuas Tara II, civic action and humanitarian assistance activities took place on an almost-daily basis. According to DOD, personnel of the 41st Combat Support Hospital conducted MEDCAP's (Medical Civil Action Programs) throughout Honduras over the course of the exercises, resulting in the treatment of over 46,000 Honduran civilian medical patients, 7,000 dental patients, 100,000 immunizations, and the treatment, under a veterinary program, of more than 37,000 animals. Medicines utilized for these activities were taken from U.S. Government supplies nearing the end of their shelf-life, or were donated (by the Honduran government or charitable organizations). In addition to this comprehensive medical aid, U.S. forces transported U.S.-donated medical supplies, clothing, and food to various locations in Honduras. In one case, a team of 15-20 Navy Seabees constructed a 20 foot-by-80 foot schoolhouse at the Village of Punta Piedra, using AID-supplied materials." 63 Comp. Gen. at 444.[17]

We concluded that this broad range of activities fell within the scope of appropriations ordinarily provided by the Congress to the President for foreign assistance requirements, and that DOD's use of O&M funds for their conduct, without reimbursement, was improper.

In response, Deputy Secretary Taft stated in a letter dated December 31, 1984, that:

> "It is the DOD position that humanitarian assistance activities are permissible under current law when they are incidental to legitimate exercise activities and are conducted at no incremental cost to this Department. Activities conducted solely to accomplish an exercise mission or to support U.S. forces participating therein, but which nonetheless provide an incidental humanitarian or civil benefit, are also permitted. We recognize that the opportunity during Ahaus Tara II to respond to real human needs created an enthusiasm within

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[17] After-action reports for Ahuas Tara II state that approximately 200,000 immunizations were provided, not 100,000 as indicated in our previous decision.

> our armed forces to lend a helping hand at a level of effort that may have exceeded the limit of these sound principles. If any expenses were incurred, the sums involved were small. Normally, records are not kept to provide the kind of accounting detail required to identify such small sums comprehensively and accurately. Accordingly, we have issued guidance in this area, but anticipate few, if any, reimbursements. Further, legislation recently enacted by the Congress reflects the fact that it has never been the intent of Congress to preclude DOD from conducting incidental humanitarian activities."

In a letter dated April 9, 1985, GAO responded that the activities observed by GAO personnel during Ahuas Tara II went beyond a level of assistance that could be described as incidental, but were instead designed as major exercise activities in their own right. In addition, we noted that, with respect to reimbursements, this Office has previously concluded that all direct expenses of an activity for which reimbursement is required under the Economy Act must be included in determining the applicable amount of the reimbursement, whether the performing agency's expenses have increased or not. See 57 Comp. Gen. 674, 682 (1978).

Our most recent reexamination of this issue again leads us to conclude that the large scope and amount of activities conducted during Ahuas Tara II could not properly be characterized as merely "incidental" to DOD training exercises. First, the nature of civic and humanitarian assistance activities during Ahuas Tara II should be compared with those often undertaken as part of programs separately funded and carried out though the U.S. Agency for International Development (AID). While there are a number of differences in emphasis,[18] there is a substantial amount of overlap between the various categories of activities carried out by DOD and those ordinarily carried out as part of AID's health programs. See generally, Agency for International Development, Congressional Presentation for Fiscal Year 1985, pp. 49-57 (1984). Both programs, for example, have emphasized vaccination and immunization activities. Id. at 52. According to SOUTHCOM officials, civic assistance activities in Honduras have also been used to demonstrate techniques for improving water supply and sanitation conditions as a method of promoting health, not unlike similar AID programs. See id. at p. 53.[19]

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[18] AID medical officials in Honduras, for example, have strongly criticized the Department's use of a rapid succession of short-term efforts to apply high-technology medical care, with little chance for followup. AID's programs are required to emphasize self-sustaining community-based health programs. See 22 U.S.C. § 2151b (c).

Several other factors support the view that Ahuas Tara II civic and humanitarian activities were not merely "incidental" to training operations in Honduras. For example, while SOUTHCOM officials have stressed that current medical humanitarian efforts are specifically tied to U.S. training requirements, it appears that no similar correlation was made during Ahuas Tara II. Assistance activities during that exercise were conducted under the premise that they would provide good experience for U.S. medical personnel involved, but after-action reports indicate that the program itself was primarily a civic action, rather than a training program.[20] Those reports indicate that training benefits were incidental to humanitarian activities, rather than the other way around. For example, the 41st Combat Support Hospital's after-action report describes the MEDCAP program as follows:

> "The AHUAS TARA II MEDCAP program was a truly unique and extremely successful humanitarian effort. It reached out to thousands of Hondurans in the remote and relatively inaccessible areas of the country and provided essential medical, dental and veterinary care. In

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[19] We emphasize here, as we did in our previous decision, that we do not necessarily oppose DOD's civic and humanitarian assistance activities in Honduras; rather, our concern is to ensure that, if such activities are to be carried out, they are funded as intended by the Congress.

[20] Thus, SOUTHCOM used the term MEDCAP (Medical Civilian Assistance Program) to describe medical activities in Honduras during Ahuas Tara II. The Department now uses the term MEDRETE (Medical Readiness Training Exercise) to describe similar activities.

> addition it provided an opportunity for US military medical personnel to gain invaluable training in tropical medicine." (Emphasis added.)

Finally, the large scope of DOD's civic and humanitarian activities during Ahuas Tara II itself counters the Department's contention that such activities were merely "incidental" to training operations in Honduras. As stated earlier, during Ahuas Tara II some 53,000 Honduran medical or dental patients were treated, 200,000 immunizations provided, and more than 37,000 animals treated. In contrast, this Office has previously interpreted the term "incidental" as referring only to minor activities related to a larger effort. See A-74262, July 14, 1936 ("incidental expenses").

C. Post-Ahuas Tara II Activities

Section 8103 of the Department of Defense Appropriations Act, 1985, provides that:

> "Of the funds appropriated for the operation and maintenance of the Armed Forces, obligations may be incurred for humanitarian and civic assistance costs incidental to authorized operations, and these obligations shall be reported to Congress on September 30, 1985: Provided, That funds available for operation and maintenance shall be available for providing humanitarian and similar assistance in the Trust Territories of the Pacific Islands by using Civic Action Teams." 98 Stat. 1942.

Although the statutory language authorizes humanitarian and civic action activities incidental to "authorized operations," the conference report on the 1985 Continuing Resolution states that the authority is limited to activities incidental to JCS directed or coordinated exercises overseas. H.R. Rep. No. 1159, 98th Cong. 2d Sess. 386 (1984). DOD internal guidance has conformed with the latter limitation.

The legislative history of section 8103 indicates that it was enacted largely in response to our June 22, 1984 decision. At the same time, the provision does not appear to have been intended to overrule that decision, but rather to ensure that it did not prevent DOD from carrying out otherwise authorized O&M-funded activities merely because they yield social, humanitarian, or civic benefits:

> "The Comptroller General recently issued a finding that recent humanitarian and civic assistance expenditures of Defense Department funds in connection with training exercises were in violation of section 1301(c) of title 31 of the United States Code. The Committee agrees that such activities should be carried out primarily by agencies of the Federal Government assigned responsibility. However, the Committee does not believe that Congress intended completely to foreclose Defense Department activities which yield social, humanitarian, or civic benefits. To the extent that such benefits are incidental to authorized operations, reasonable expenditures of this kind should be allowable." S. Rep. 636, 98th Cong., 2d Sess. 37 (1984).

As we stated in our April 9, 1985 letter to DOD, the legislative history of section 8103 shows that the provison was intended to create only limited authority within DOD. The Senate Committee's emphasis that "such activities should be carried out primarily by agencies of the Federal Government assigned responsibility" shows an intention that the term "incidental" be given its normal, limited meaning.

The exact nature of DOD's authority to use O&M funds for "incidental" civic and humanitarian assistance under section 8103 has apparently been the subject of considerable debate within the Department. According to the Staff Judge Advocate of SOUTHCOM, at least three interpretations have been proposed: First, under the most restrictive interpretation of the term "incidental," section 8103 authorizes DOD to conduct training activities that result in an incidental humanitarian benefit, but, conversely, DOD units may not use O&M funds for humanitarian activities not specifically related to their own training requirements. For example, if a unit is required for training purposes to dig five wells--which are subsequently used for civilian water supply--the civic benefit is "incidental" to an authorized O&M activity. The unit would not be authorized to dig a sixth well, if not specifically required to do so for training purposes.

According to the SOUTHCOM Staff Judge Advocate, a second view of section 8103 proposed within DOD is that it permits field personnel to use O&M funds to conduct minor humanitarian or civic assistance unrelated to their own training activities, but only to the extent such activities are spontaneous. They may not be planned in advance. Thus, in the example previously given, the unit may not plan to excavate six wells if only five are required for training purposes. If, during the course of their work they are asked by villagers to excavate a sixth, they may do so as "incidental" assistance.

A third position, apparently the one officially taken by SOUTHCOM, is that even before enactment of section 8103, DOD had essentially that authority described above as the most restrictive view of that provision (i.e. that DOD field personnel on training exercises may undertake civic or humanitarian assistance activities if those activities are carried out to fulfill training requirements of the units involved). SOUTHCOM's position appears to be that section 8103 expanded this inherent DOD authority to permit participants in JCS-directed exercises to undertake minor amounts of civic or humanitarian assistance unrelated to their own training requirements (even if planned in advance). Major activities unrelated to unit training requirements would not be considered "incidental," based on a reasonableness standard.

As indicated in our April 9, 1985, letter to DOD, we agree with SOUTHCOM that--regardless of the separate authority provided under section 8103--the mere fact that O&M-funded activities create an incidental civic or humanitarian benefit does not require that they be financed from other appropriations. Where, however, the type and amount of activities are such that they fall within the scope of other appropriation categories (such as occurred during Ahuas Tara II), they must be funded from those other sources. Thus, with that caveat, we agree with SOUTHCOM that no funding violation results from bona fide training activities that result in a concurrent civic or humanitarian benefit.

In addition, SOUTHCOM's interpretation of section 8103 appears, in our view, to be a reasonable construction of that additional grant of authority. We believe, however, that the Department's application of a "reasonableness" standard to distinguish between "major" and "minor" assistance efforts (only the latter being authorized to be financed with O&M), should be made with attention to the legislative history of section 8103, which stresses the limited nature of the authority provided therein.

Having stated our general agreement with SOUTHCOM's interpretation of section 8103, we remain concerned that the large-scale of O&M-funded civic and humanitarian efforts that continue in Honduras may go beyond the limited authority intended by the drafters of section 8103. For example, the majority of patients treated at the Joint Task Force Field Hospital at Palmerola (established to provide medical support to the U.S. base and to provide field training to American medical personnel) are Honduran civilians. Hospital records show that, from February 23 to June 7, 1985, some 4,137 Honduran civilians were treated, compared to 2,697 U.S. military patients (inpatient, outpatient, and dental). In addition, U.S. medical personnel, conducting austere-environment medical readiness training exercises (MEDRETES) treated nearly 50,000 medical patients, 10,000 dental patients, and 13,000 animals in over 100 week-long visits to remote Honduran villages between July 1984 and May 1985. Virtually all of these activities are carried out without coodination with AID officials in Honduras, even though AID operates a $26 million health sector project, intended to assist the Honduran Ministry of Health develop and administer community-based health outreach programs. See note 17, supra.

D. Conclusion

Based on the foregoing, we reaffirm our previous conclusion that the broad scope and amount of O&M-funded assistance carried out by DOD during its Ahuas Tara II exercises exceeded DOD's funding authority at that time. With regard to post-Ahuas Tara II activities, DOD's interpretation of new civic and humanitarian authority provided in the fiscal year 1985 Department of Defense Appropriations Act appears to be reasonable, although we remain concerned that the large scale of such activities may go beyond the level contemplated by the Congress. In light of these concerns, we would recommend that, if the Congress decides to continue (or to make permanent) the authority provided under section 8103, it (1) provide more explicit guidance as to the types of activities authorized, (2) retain the existing annual reporting requirement, and (3) consider requiring that DOD cooperate with AID. The latter requirement would increase the likelihood that DOD's activities are consistent with the needs of both agencies.

Mr. **Alexander**. I will just read an excerpt from the first paragraph:

> Based upon the current review, the Department's implementation of our June 22, 1984, decision has in several respects failed to meet our previous concerns. On the one hand, reimbursements to DOD's O&M account for funds and property use for training of Honduran forces respond to the objections raised in our previous opinion. On the other hand, we disagree with DOD's conclusion that all Ahuas Tara II construction projects cost under $200,000 and thus were properly financed with O&M appropriations. As detailed in the enclosure, we find the determination to be based on a questionable application of military construction accounting principles, particularly those used to define the scope of individual construction projects. In addition, we question DOD's later modification of those principles in determining costs attributable to construction projects in subsequent exercises. With regard to civic and humanitarian assistance, we restate our earlier conclusion that such activities during Ahuas Tara II should have been financed with foreign assistance appropriations, specifically provided by the Congress to the President for those purposes.
>
> Since our previous decision, the Congress has enacted additional funding authority for civic and humanitarian activities by DOD. We find DOD's interpretation of that new authority to be responsible, although we remain concerned that the large scale of such activities may go beyond the levels contemplated by the Congress. Consequently, we recommend further clarification of DOD's authority in this area.

Mr. **Sanchez**. There is concern. They feel that it should have been financed from foreign assistance appropriations, but they don't specifically say that it is illegal.

Mr. **Alexander**. They say that it is without the scope of authority. That is the same thing as illegal. That means illegal. When you say something is not within the authority, that means it is not legal.

Mr. **Sanchez**. I think that maybe we should drop this because the lawyers are still working on it. In other words, its interpretation of what the GAO says and how they look at it, and how other lawyers look at it, our lawyers specifically. Our lawyers tell us that the report does determine, and in their conversations with the GAO lawyers state, that the projects do meet statutory requirements of Title 10.

Mr. **Alexander**. Will you submit to me a copy of your opinion that you are reading from there, because I am going on this.

Mr. **Sanchez**. Yes.

Mr. **Alexander**. Do we also have a copy of the Defense Department—no. It is not something you are going to go to jail for.

Mr. **Sanchez**. No, but its the interpretation again, and I think this is what we have to discuss.

Mr. **Alexander**. I will just mention this one more time and I will drop it. I am under the impression, based upon this opinion, that what you are doing in spending O&M projects for certain military construction projects is illegal. It is not within the law. The Comptroller General has said so. I think I could convince a jury of that.

There is no remedy for doing so, and I am just pleading with you that you follow the law, that you adhere to it. I know the General wants to. I mean, you have got to do that.

Politicians sometimes argue what it means, and that is what we are talking about here. There it is, and if you would submit it to your general counsel and get an opinion, I would like to see it.

Mr. Sanchez. All right. And worse than politicians arguing about it, Congressman, I think it is even worse that lawyers argue about it.

Mr. **Alexander**. Well, being a lawyer, I guess I am condemned. You are right about El Salvador. You will forgive me for being a lawyer.

Mr. **Hefner**. He will, but God might not.

Mr. **Alexander**. I have got a little more time to work on God.

CONTRA AID

Mr. **Hefner**. Sometimes you get all sorts of opinions, and we won't rehash this. We had some disagreements some time ago when General Gorman was still there. They said that the lawyers had interpreted it so when it clearly said in the report language that you shall not do so and so, and they said that our attorneys had interpreted this in a different way. I don't know how you can interpret it.

At the time we commented what kind of attorneys did you have over there. I hope you don't still have the same ones.

I don't know where we want to go, if we want to talk a little bit. I would just like to ask some general questions. I don't want to open up a can of worms, because I feel sure that next week there is going to be a lot of debate on the contras and there will be an awful lot of rhetoric, but I would just like to ask you, General, a couple of questions, general questions here.

We have heard if we don't devote—and I was one of those who voted for the $27 million, wherever it went that is beside the point—but if we don't have this $100 million aid, that the contras will collapse and the Sandinistas and the Cubans and the Russians will be in San Diego at some unpredetermined date, yet to be determined.

I noticed that you were quoted in the Post, you said you are not going to collapse if you don't get this $100 million. Is that a correct quote?

General **Galvin**. That is partially correct. That is a piece of what I said, Mr. Chairman.

I found it interesting that that is what they picked up, because when you come to this town and you make a comment, you are immediately into a conversation that is much longer than my visit.

Mr. **Hefner**. Could you just give me your views?

General **Galvin**. Yes, I can. I gave two scenarios yesterday. I said if you support the contras, basically what happens is they become politically significant in the country, and probably, in my opinion anyway, can affect the internal politics of the country. How much is a matter of conjecture, but if you don't support the contras, what happens to them then? Well, I don't think they disappear in a puff of smoke. I think that they are going to be around for a while. How long I don't know. There are ———.

Mr. **Hefner**. You said—I am reading from the paper here—"and it has been my contention that if we don't give $30 million in humanitarian aid and $70 million lethal assistance or however you want to put it, that we don't have some strings attached, and at least some kind of training or some kind of guidance to these people, you just don't go in and give them $70 million and say, Here it is, guys."

You mentioned here that you think that there should be some kind of training ——— or what have you. Where would you do this, ——— and how would that wash ———.

General GALVIN. If it were decided that ——— this, and as you know, we are not in this. If we were to decide to do that, I would hope first of all it would fall under my responsibility because it is my area. I would then, if that is what were to happen, ———. Part of the organization would be ———.

I could also see that if training were permitted, it could be that training would take place in other places than ———.

Mr. HEFNER. Like, for instance?

General GALVIN. I have not looked into this because nobody has asked me where would training take place. I really don't know. You know everything I say is pure conjecture. ———. Some other ——— I don't know.

There are training centers ———. I don't know how ——— would feel about that. None of this has been looked at. I haven't even been told that we would do training, and nobody has asked me to go find out where, so I haven't even looked into that, Mr. Chairman.

I have had no contract with that kind of thing. Nobody has brought that down through my chain of command. But in my own opinion, as I stated yesterday, I think they need training.

Mr. HEFNER. That is my opinion from just a layman who is not an expert as are some of these gentlemen. I have been around here long enough to know that $70 million doesn't go very far. And it is just the first increase of an awful lot of bucks that if you are going to make any kind of an impression, and you just threw out a number, ——— I have heard ——— but I hadn't heard ———. You are taking sort of the middle road with the ——— as to how many there are.

You said you didn't think they would go away. If this aid doesn't pass, do you think that there would still be some aid that would be coming from private sources that would continue to flow to the contras? Obviously there is some.

General GALVIN. I think surely there would be, Mr. Chairman. The problem with the whole thing has not really been the level of aid as it has been the sustainment of that aid. These people do not have the sustained logistics. They have a site curve. What happens, as you know, they go into Nicaragua and fight; then they run out of everything and ———. They lose contract with the people in the area. The fish lose contract with the water, if you look as it that way. All of the other things that happen to them, because they do not have sustained logistics. Why not? Because most insurgencies take 15 to 20 years before they start pulling triggers, but these people started off right away in late 1981 for whatever reasons of their own. They have not had 15 years to build safe houses and all the things you need and to arrange some kind of logistics. So I would imagine that if what happened is that their U.S. support stopped or for the most part stopped, they would go back to Phase I and start up again, and 15 years later we hear from them.

Mr. HEFNER. I also read, and I should document where I read so much literature from the budget and all the rhetoric that is going around, that some of the folks in the contras said you have to train, you have to handle these people with kid gloves. If you try to get too disciplined with them, that they will get fed good and get some clothes and shoes and they will leave, if you try to put too much discipline on them. That is not true?

Mr. **Sanchez**. I hadn't heard that.

Mr. **Hefner**. This was in Newsweek or some magazine.

General **Galvin**. I saw the comment. I read an article where Enrique Bermudez was talking—maybe it wasn't him, but one of his subordinates—about leadership and you have to inspire people when they have no connections. This is true with every organization as we have seen in Salvador; even leadership, as you know, comes out of the organization under certain conditions. That is true of all irregulars.

Mr. **Hefner**. ———.

Do you know why ———.

General **Galvin**. General Lopez, and I have talked many, many times, I know him very well personally, and I will give you my opinion of what happened. This comes from talking to him and many others. ——— had been concerned all along with a number of things. One is that there is a group of officers in the organization ——— from their military school. This is 1986, and for the most part, those people are in battalion command positions which in the ——— is a strong position. They wanted a strong influence over the ——— wanted to be able to command and he wasn't really able to command because he had to go to all of those people and sort of get a committee approval of everything he wanted to do.

He became increasing frustrated with that system, especially because ——— as trying all kinds of things to continue ——— against the country's constitution ——— in his place and allowed the elections to take place.

He worked far into the night, 4:00 o'clock in the morning, talking to union leaders about "don't go on strike and to ensure the elections occurred." So he came out of the elections exhausted. Realizing that he had a committee rather than an armed forces command and control system, realizing that he now has a new president who says, "Who are you," and he said, "I don't like this anymore," and so he announced publicly he was going to retire.

At the time of his announcement there was a great upsurge ——— but especially on the civilian side of "don't do that, ——— we like you, we think you recognize democracy," and all this sort of thing. So he said, ——— and he left.

That is the way I see what happened.

ASSESSMENT OF THE THREAT

Mr. **Hefner**. One other question and then I will yield to somebody else.

How do you assess the current threat? We hear a lot about threat around here, but how do you assess the threat from Nicaragua in terms of the likelihood of an invasion either into Honduras or into Costa Rica?

General **Gavin**. The Sandinistas are very careful world watchers, and very careful watchers of the U.S., and they don't want to do something that would cause a reaction from the U.S. Although we don't intend at all to have an incursion into Nicaragua, the Sandinistas think we do, and they are constantly running on alerts and so forth. So, although they would like to see the downfall of the governments of Honduras and Costa Rica, I am absolutely convinced that they don't want to see it through an invasion, even given all their tanks and the capability for a run up through the Choluteca gap. What they want to do is undermine those countries so they can portray the downfall of those countries as other great Marxist victories rather than an invasion by a Marxist country. This would be much more convenient to them to do it this way.

They have demonstrated this twice in Honduras in the past two or three years. In the Olancho area they took Hondurans who had been trained in Cuba, brought them into Nicaragua and then had them come back in to Honduras through the province of Olancho in July 1983. They did the same thing through the province of El Paraiso in July 1984.

It depends, of course, on what you call invasion, but these insertions are in a sense, also invasions. It is to undermine those countries.

It is important to remember that they did this during the period of growth, during times the Sandinistas felt themselves, to be the most fragile. Nevertheless they did it because they are Marxists and they are internationalists. They have projected themselves out all the way down at least as far as Colombia and up into Guatemala.

When you listen to ——— and they are definitely trying to establish things ———.

They are working towards undermining those countries. I would call that invasion myself, but not in the true sense that you are mentioning, Mr. Chairman, which means like the Normandy invasion.

They are not going to come across borders, I don't feel. If you ask me to predict, I would say no. They are not going to do that for the reasons I stated. They are going to do it in other ways.

Mr. **Hefner**. Mr. Edwards.

STATUS OF INSURGENTS IN CENTRAL AMERICA

Mr. **Edwards**. Thank you, Mr. Chairman.

General, could you give us a rundown on the status of the insurgencies in the various countries in Central America?

We are aware, of course, of the situation in Nicaragua, but I know there has been substantial progress in El Salvador and in Guatemala in dealing with the insurgencies they have had in that country.

I wonder if you could give a country-by-country rundown in Central America, what the threat is.

General **Gavin**. Yes, sir. ——— there are about ——— insurgents. They have been uniting together in an umbrella organization through the efforts mostly of Fidel Castro, and I say Fidel Castro because his personality and so forth enters into this.

Right now, although there has been some fighting in recent months, it has toned down. Last week there was a rumored announcement by those guerrillas that they would unilaterally declare a truce so that they could talk to ——— because they felt that they were beginning to see that ——— public policies were moving in the directions which they wanted to go.

I found this amazing. I am not sure it is true yet, but if it is, we have an interesting new development in ———.

Mr. **Edwards**. Let me just ask you another question.

If that were the case, would that suggest that the non-communist elements of the insurgency are perhaps stronger than the pro-communists? Those people who are insurgents for purely indigenous reasons may in control of the decisions they are making?

General **Gavin**. I would say that it is probably that an a lot of other things. The insurgents there really have been beaten back by the armed forces.

By the way, we didn't mention that, but in the process of beating these guerrillas back, the ——— every government position down through the departments, every previous military or military-political position had already been occupied by a civilian. They worked it over eight months and did what I consider to be a very fine job of the transition. There was nothing left to transition into ——— ———.

Part of that, I think, is recognition on the part of the guerrillas that now the military can really turn to them. The military is free from politics and has said, "We are going to dedicate ourselves now to finishing off the guerrilla problem in the country." Maybe the guerrillas are stalling for time. Maybe as other had done, the M-19 and others in Colombia, they will use talk about a truce but use it for aggradizement. Use it for consolidation, et cetera. That bears looking into.

In El Salvador, the guerrillas a year ago at this time were at about ——— strength. They are now at about ——— strength. Only ——— have been killed, so where are the others? That is probably the most important question. It means that the Salvadoran Armed Forces have understood the fundamental thing that it took us so long to try to figure out in Viet Nam. Killing guerrillas is not necessarily the way to make them go away. In fact, maybe sometimes the more you kill, the more there are. So what you do is you combine the force, military forces against guerrillas, with a lot of other things. Like simply asking guerrillas not to be guerrillas any more in a lot of different ways. Somehow that has worked this year in El Salvador. Success has occurred through a combination of civic action, psychological operations, a better understanding and the practice of human rights within armed forces, a better use of the armed forces themselves, et cetera. But they are half, almost half what they were last year.

This is a big success. It has to be weighed against the fact that they are a lot of other problems in El Salvador today especially economic problems. But President Duarte has taken a strong stand on austerity in the last three or four months and the armed forces have supported it and it has gone well. So we are moving into good phases there.

In Honduras——

Mr. **Lowery**. May I interrupt just a second?

Mr. **Edwards**. Yes.

Mr. **Lowery**. When I was in Salvador in 1982, the estimates were about ———. Did it grow rather dramatically in the last few years up to the ——— figure or is that a misstatement?

General **Gavin**. You know, there are a lot of different estimates on strengths. The best estimate that I can see is that it was at ——— for two or three years, and has started to come down. I don't know where you got that figure.

Mr. **Lowery**. From the embassy, from the military group.

General **Galvin**. ———.

Mr. **Lowery**. Correct.

General **Galvin**. I don't know.

In fact, right now, the question of what is a guerrilla is a tough question, as you know. Some guys are a weekend guerrilla and others are working 365 days a year.

When I talked to General Blandon last year, he tried to tell me there are only ——— guerrillas. I follow that as closely as I can but I am not down to nickles and dimes on it. I don't think it is important but it is important to know whether there are ——— obviously.

The best that I judge out of it is that we are down to between ——— in that range anyway.

Mr. **Lowery**. Does that include the camp followers?

General **Galvin**. ——— No, that doesn't include ———.

Mr. **Lowery**. That is armed individuals?

General **Galvin**. Yes. Again, I would accept any kind of a ballpark figure in there. My message would be they have come down and they have come down by some thousands, and those thousands, those some thousands, those few thousands have not been killed. Something else has happened.

It also shows us, of course, that those could come back. So my thinking is to create the environment in which guerrilla strength declines, and that is more than a military operation. ———.

In ——— there are about ——— along the border with ——— that are coming up again, but I am getting into ——— you said Central America.

PANAMA CANAL

Mr. **Hefner**. I want to ask you one other question before I yield to Mr. Coleman.

It is always surfacing. Since some of us gave away the Panama Canal, all the letters are starting out that we have given away the canal and all of this. Do you think that that was probably something that added some stability in that area by making a treaty with Panama to give them the canal?

I am not asking this for a political answer, because it seems that Panama is a fairly stable area for us right now, and it was my contention at the time we either had to fight to keep it open or whatever. If there was going to be a war, there was going to be a war.

General **Galvin**. Let me say this about it, Mr. Chairman. Certainly relationships to the Panama military and U.S. military increased tremendously after that. At that time, we were sort of defending the canal against ———.

Mr. **Hefner**. I guess what I want to ask, has the operation of the canal been fairly efficient; it has continued to operate well?

General **Galvin**. I talk a lot with Phil McAuliffe and a lot of people down there. My own personal view is that we are not going to see a problem in the operation and maintenance of the canal itself. Panama can provide the type of people required. They can be trained. Even the pilots that go through there can be trained.

The problem is going to be that Panama as a country faces severe economic problems. It is a small country and it doesn't have much flexibility. There may come what I would call ——— that normally ——— into other activities, which could cause a downward cycle of the ———. It wouldn't take much before commerce would recognize that, and that would further exacerbate it.

In the Suez Canal, for example, the man who runs the Suez Canal is second only to the President of Egypt. If Panama does something like that where someone as powerful as that is in charge of the canal, maybe they have a chance, but I am not too optimistic about the ——— would run into financial problems before it runs into management maintenance problems, because of funds that could drift ——— to other things. That is an opinion.

Mr. **Hefner**. That is a very good political answer.

Mr. **Edwards**. Would you yield for one second?

Mr. **Hefner**. Sure.

Mr. **Edwards**. What role are U.S. citizens playing down there now in operation of the canal? Are there still American pilots?

General **Galvin**. Yes, sir. One of the things that has turned over more slowly than the others is the pilot jobs, but Americans are turning over their posts one by one down there.

As you know, in 1990, the commissioner of the Panama Canal will be a Panamanian. Right now the second man is a Panamanian, and I don't know what the percentage of Americans to Panamanians is. I just don't know that.

Mr. **Sanchez**. I don't know what the percentage is right now, but there is a scale that we have worked out with the Panamanians to reduce the number of Americans training the Panamanians to take over. I guess my point was rather than just us out and them in, it is really a transition.

Mr. **Sanchez**. That is taking place.

Mr. **Hefner**. But economic problems for Panama are not going to be unique to Panama. We have talked about this before.

Mr. **Sanchez**. Right.

Mr. **Hefner**. The economic conditions to a large degree determine what happens politically and militarily in that part of the world, in my opinion, because if we have sad economic conditions, which you have, that just feeds any kind of revolution or any kind of philosophy, and I would venture to say that probably the peasant has no conception of what communism is or what democracy is. He just realizes that he has never known anything other than a totalitarian government, and as long as you have the sort of bad economic conditions where people are hungry, and there is not anything in sight that looks any better, they are prone to follow any kind of philosophy or whoever happens to have a gun and comes by.

Mr. Coleman.

ADDITIONAL ASSISTANCE TO CONTRAS

Mr. **Coleman**. Thank you, Mr. Chairman.

Let me just ask a couple of simple questions. Do you envision or are you planning any military construction ———.

ROAD CONSTRUCTION IN COSTA RICA

Mr. **Coleman**. The United States has recently started an exercise in Costa Rica involving road construction. What plans are there for future exercises in Costa Rica?

General **Galvin**. We are finding that road construction exercises are very beneficial to our training, and of course it is very acceptable down there. We have road construction going on right now as a training exercise in Honduras. We have one in Costa Rica, and we have one in Panama, where three little pieces of roads are being worked. They are about 20 kilometers.

The one in Costa Rica is not really a road, it is a bridge and some abutment for it.

What we contemplate is to try to keep up at about that level. We have a plan for next year to do down to Ecuador, and work a road construction project we have been developing with them. We don't have the exact spot for the road but they are very receptive to that and would like to see that done.

All of the countries that have had road construction are interested in more. They welcome that kind of thing. In Costa Rica we intend to do something more, and we would probably do something in Honduras, if we had the unit available. Right now we don't have any available. That is going ——— because they are going to see other countries getting that.

In fact, ——— called ——— when he managed to get us to build a road in ——— had said, as you recall last year or the year before, "We prefer not to have that."

This training is a desirable thing, and we get great training out of it for our engineers. They need that sort of training. We contemplate right now a plan where maybe we would do that with, say, three battalions or less over the next few years, if we can.

Mr. **Coleman**. Do you utilize the civilian population?

General **Galvin**. Do we use them in building the road?

Mr. **Coleman**. Yes.

General **Galvin**. No. We build the road in conjunction with the local forces. They normally come into the road project, too, and then it is a combined exercise and project.

For example, there are 100 Honduran military working with the road project in Honduras right now.

Mr. **Sanchez**. If there is any material that is necessary for the road, the host country provides that.

TREATIES WITH HONDURAS

Mr. **Coleman**. This might be more a question for the State Department, but I thought maybe you could respond to it.

It is my understanding that the ——— has in the past requested that the United States enter into ——— with them. I recall an ——— and a request last year, I thought in a visit last May, I believe, for an addendum to that, an addition to that. I think it deals with ——— whatever we want to call them, and I thought that the suggestion was that it be tied to continuation of ———.

Could you give me an update on that or correct me in any of my statements?

Mr. **Sanchez**. Yes, I will give you an update on that, because we have entered into a series of negotiations ——— based on their request, and where we stand right now is that we continue to have discussions with the ——— to update the military agreements, and they are coming to town the end of this month to finalize that.

There are really no serious disagreements with the ——— on that one, so that one should be concluded, I would say, in another six weeks.

We have already reached an agreement with them on criminal jurisdiction, which is something that they had brought up. We have also reached agreement with them on maintenance and repair of aerial ports. In other words, if we use their airports, we pay for whatever damage we do, and we also have reached an agreement with them on ———.

The Hondurans decided that they had to send these to their Congress to have them ratified, so as soon as they are ratified, we should have no problem with them on that.

They are satisfied. In fact, I talked to them last week when I was there, and they are anxious to get the last one.

Mr. **Coleman**. These are not really treaties. These are more like memoranda of understanding or agreements. Is that correct?

Mr. **Sanchez**. These are agreements, that is right.

Mr. **Coleman**. I guess the question comes then at some point are we not considering from a military standpoint the location of military bases. This seems to be fairly continual. These memoranda and agreements are being reached.

Mr. **Sanchez**. No, not really, you will recall that when we got the construction money, the $21 million back in 1983, we went back to the 1954 agreement that we had with them, the security assistance agreement, ———.

What they wanted this time is further clarification to those modifications of the 54 security assistance agreement.

———.

Mr. **Coleman**. Would it be possible for this committee, to get those agreements that are ultimately reached this month or in the next six weeks?

Mr. **Sanchez**. Oh, yes, we will get you copies.

HOUSING OF U.S. CIVIL SERVANTS IN PANAMA

Mr. **Coleman**. General, I have one other question related to Panama. It is not classified.

I received a letter from the bargaining entity for a group of civilian employees. I don't know how many other members got such a letter. At the U.S. military bases in Panama, there is a great deal of concern among civil service personnel about the requirement to vacate housing there because of the influx of additional military officers of the 93rd Infantry Brigade. They are charging that the eviction is in violation of the DA Panama Canal employment system which provides for government controlled on-post housing.

I understand there is a housing shorage there. I think that is one of the issues this committee ought to be considering, and I would hope that we can work that out.

I would like to ask that you look at these complaints. I will provide you with a letter. You may of course already be well aware of it, but I wanted to bring it up.

They raised some charges and I want to let you respond to them rather than anybody else.

General **Galvin**. Yes, sir.

Mr. **Coleman**. I think you are probably well aware of it, and will see what it is this committee needs to do to help alleviate the situation. Maybe you can better put it in perspective as to what has gone on.

Mr. **Hefner**. Do you want that for the record?

Mr. **Coleman**. I will submit it for the record. That will be fine.

General **Galvin**. Thank you. I will take care of it.

[The information referred to follows:]

File
Panama

PANAMA DOD EMPLOYEES COALITION
AFL-CIO/CTRP

AFGE, LOCAL 14
AFSCME, LOCAL 907

P. O. BOX 1703
BALBOA, PANAMA
TEL.: 52-5096

POSTMASTER:
Address Correction Requested

AFGE LOCAL No. 14 **NEWSLETTER**
BOX 1703 • BALBOA • PANAMA R. P.

President Emeritus: R. M. LOVELADY AND JAMES J. O'DONNELL
(Affiliated with AFL-CIO)

PRESIDENT: SAMUEL A. McGUINNESS TELEPH No. 52-5096

21 February 1986

The Honorable R. D. Coleman
United States House of Representatives
House Office Building
Washington, D. C. 20515

Dear Congressman Coleman:

I am writing you in my capacity as President of Local 14, American Federation of Government Employees (AFGE), a union which represents workers at U. S. military bases in the Republic of Panama. The 193d Infantry Brigade has recently issued eviction notices to 68 long-term, career employees in the Canal Area that abruptly changed the established policy relative to government housing. Your attention is invited to an example of those notices, dated 4 December 1985, which is enclosed as TAB A.

I submit that this action on the part of the Army officials here in Panama is unconscionable, contrary to governing regulations, and violative of a collective bargaining agreement that prescribes employment conditions. For the reasons set out below and in the attachments to this letter, I respectfully request that you intercede with the Secretary of the Army to urge that the unjust ouster from government housing of this group of loyal American civilians be prohibited, particularly in view of the fact that the Army Command has gone on record recognizing that living in Panama City is unsafe.

This change in allocating living quarters purportedly is based upon Army Regulation (AR) 210-50. The inapplicability of that AR is clear when one looks at the special practices followed by United States activities at the Panama Canal. For a discussion of the regulation and its incompatability with the tradition of long tenure in Federal employment here, please see TAB B.

The fact also is that the 193d Infantry Brigade has changed its housing policy not only in derogation of past practice, but also in violation of AR 690-300. This regulation expressly provides that the Army's Panama Canal employment system shall include "government controlled on-post housing at reasonable rental and utilities cost". In other words, entitlement to quarters is a condition of employment with no time limitation imposed. See TAB C.

The apparent motivation for this plan to evict senior civilian employees is the anticipated arrival of numerous ranking officer personnel who would fill new positions when and if a Major Military Command in Panama were approved by Congress. See discussions at TAB D. The failure to limit the number of personnel on accompanied tours to the capacity of available on-post housing has also contributed to the problem. The housing shortage was compounded in 1979, when the Commander, United States Southern Command, inexplicably agreed to an early transfer to the Panama Government of many of the Army's military and civilian housing units. This accelerated implementation of the treaty presumably was intended as a good will gesture, but at the expense of the U. S. taxpayer and the civilian and military member employees here. See TAB E.

There are more than 800 Department of Army personnel living on the local economy, i.e., off post in Panama. While I sympathize with the inconveniences they are experiencing, the unfair and arbitrary eviction of 68 senior U. S. civilians can in no significant way alleviate that problem.

It cannot escape attention that the 193d Infantry Brigade did not decide upon the eviction of these civilians until the reorganization of Army units in Panama, with a resultant increase in the number of higher-ranking military officers.

I consider the proposed ouster of these career, permanent party civilians to be a poor management decision inasmuch as it does not solve the problem, it discriminates against those who have loyally served, and it results in a double burden on the American taxpayer because of the duplication of moving expense. It is a vain and amateur effort to make a quick fix of a problem that should have been addressed several years ago.

The proposed action even runs counter to a stated goal of United States foreign policy (i.e., the establishment of democratic institutions within the countries of our Latin American allies). In a speech, President Reagan pointed out that the way America treats its own citizens will show foreign countries what we as a nation really stand for. How can this arbitrary action by the Army against U. S. civilians be viewed as anything except an example of despotic militarism?

I will be pleased to provide promptly any additional information in response to questions that may occur to you regarding this disturbing development. Because of the urgency of this matter, please write to my personal address at Box 587, APO Miami 34002.

Sincerely yours,

SAMUEL A. MCGUINNESS
PRESIDENT
LOCAL 14, AFGE

Inclosures (A thru E)

F

DEPARTMENT OF THE ARMY
HEADQUARTERS, 193d INFANTRY BRIGADE (PANAMA)
FORT CLAYTON, PANAMA

REPLY TO
ATTENTION OF

4 DEC 1985

Garrison Commander

SUBJECT: Notification to Vacate Government Quarters

Mr. S. McGuinness
Qtrs 2324, Curundu

Dear Mr. McGuinness:

The purpose of this letter is to provide information on a recent decision concerning occupancy of government controlled housing by civilian employees. The 193d Infantry Brigade is going to put into effect the five-year limitation on occupancy of government controlled housing as outlined in AR 210-50. Date of implementation will be 15 August 1986. Attached for your information is a copy of this policy.

Our records reflect that you will have resided in government quarters in excess of five years as of the date of implementation. You should begin planning now to vacate your present quarters not later than 15 August 1986. You may terminate occupancy at any time prior to that date. This early notification is to allow you sufficient time to make the necessary decisions and arrangements concerning your housing needs.

You may be entitled to a Living Quarters Allowance (LQA) which was established for Panama in 1984 for certain civilian employees who were hired in the United States and have a transportation agreement. Please contact Mrs. Vilma White at the Civilian Personnel Office, 285-5112, to determine your eligibility. The Housing Referral Office, Housing Division, 287-5413, is also prepared to assist you in obtaining information on availability of off-post housing and in finding adequate off-post housing.

Please note that this is a command directed move. Therefore, movement of your personal household goods to the local community at government expense is authorized. Movement will be limited to within a 30-mile area of your duty station. You should contact the Housing Office at 287-4255 to make arrangements to terminate occupancy of quarters.

1 Atch

CLYDE N. SEDGWICK
Colonel, Armor
Garrison Commander

DEPARTMENT OF THE ARMY
HEADQUARTERS, 193d INFANTRY BRIGADE (PANAMA)
FORT CLAYTON, PANAMA

REPLY TO
ATTENTION OF

AFZU-CG

18 NOV 1985

SUBJECT: Command Policy - Housing Civilian Employees

SEE DISTRIBUTION

1. PURPOSE. To establish command policy concerning the housing of eligible employees in government quarters.

2. APPLICABILITY. This policy is applicable to civilian personnel of the 193d Infantry Brigade, Panama subordinate commands and tenant units supported under Interservice Support Agreements.

3. POLICY. This command will provide adequate and suitable government quarters to eligible civilian employees for a period not to exceed five (5) years per tour of duty in Panama.

a. Civilian employees currently occupying government quarters for five years or more as of the effective date of this policy will be notified to vacate those quarters not later than 15 August 1986. Civilian employees currently residing in government lease-back quarters will be allowed to remain until 30 September 1987.

b. Ineligible civilian employees, as prescribed by regulation, regardless of the length of time in government quarters, will be notified to vacate those quarters within a reasonable length of time, but not later than 15 August 1986.

c. Eligible civilian employees currently occupying government quarters less than five (5) years may continue to reside in quarters not to exceed five years from date of initial assignment. Termination of quarters for these employees will be as prescribed in paragraph 3-29, AR 210-50, dated 1 February 1982.

d. Eligibility for housing is as described in AR 210-50.

e. Adequacy of government quarters will be as determined under criteria stated in AR 210-50.

f. Suitability of government quarters will be determined in accordance with paragraph 3-4 and Tables 3-1 and 3-2, AR 210-50.

AFZU-CS
SUBJECT: Command Policy - Housing Civilian Employees

g. Priority of assignment will be made consistent with Table 3-3, AR 210-50.

h. Rental rates for family quarters will be those established per DOD Instruction 4165.42, "Establishment of Charges for Quarters and Related Facilities", and reviewed by the Joint Housing Advisory Board as provided by HQ US ~~SOUTHCOM~~ Regulation 15-1.

i. Issues/questions relating to housing of eligible employees for a maximum of five (5) years in government quarters, which are not specifically addressed herein, will be determined as prescribed by AR 210-50, consistent with the intent of this policy.

4. EFFECTIVE DATE. This policy will be effective on the date posted but not later than 15 August 1986.

5. REFERENCES.

   a. Executive Order 12520 of 19 June 1985.

   b. DOD Instruction Number 1400.30, dated 27 June 1985.

   c. AR 690-300, C-14, dated 1 April 1985.

   d. AR 210-50, dated 1 February 1982.

   e. DOD Instruction Number 4165.42.

   f. HQ SOUTHCOM Regulation 15.1.

FOR ~~THE~~ COMMANDER:

Joseph V. Rafferty
JOSEPH V. RAFFERTY
Colonel, GS
Chief of Staff

DISTRIBUTION:
A1; B1; C1
10 - AFZU-CS
150 - AFZU-CP
150 - AFZU-FE

AR 210-50

The 5 year housing limitation established in AR 210-50 is a general Department of Army policy established for worldwide management of housing assets. This policy necessarily has to be adapted to conform to employment in different places where the Army is stationed around the world. The Panama Canal employment system, established to carry out the Panama Canal treaties, is the only one of its kind. The employees who work under this system are entitlted to have its commitments honored. These eviction notices represent a gross violation of one of the specific benefits prescribed for U. S. citizen Army civilian workers in Panama.

AR 210-50 had limited application here in 1966 when a 5-year limitation on employment was implemented for all new hires, however, those Department of Army employees hired prior to 1966 were "grandfathered", i.e., permitted to continue the career employment here that had always been the rule.

After the 5 year employment limitation was modified in August 1972, AR 210-50 ceased to be operative here. Those employees subject to the so-called five-year rotation here would, by definition, be outside the scope of the AR.

‡Subchapter 6. The Panama Canal Employment System

6-1. LEGAL BASIS

The Panama Canal Employment System (PCES) was established in compliance with section 1212 of the Panama Canal Act of 1979 (93 Stat 464). The PCES became fully effective on 31 March 1982.

6-2. ADMINISTRATION OF THE PANAMA CANAL EMPLOYMENT SYSTEM

The Secretary of the Army is responsible for regulations governing employment practices under the PCES. These regulations are published in parts 251 and 253, title 35, Code of Federal Regulations. The PCES is administered in Panama by the Panama Area Personnel Board (PAPB); this Board is chaired by a representative of the Secretary of the Army.

6-3. EMPLOYMENT UNDER THE PANAMA CANAL EMPLOYMENT SYSTEM

a. **Status of positions.** Positions in Panama are in the excepted service; however, the provisions of the PCES conform generally to the policies, procedures, and standards that apply to the US competitive civil service system. Terms and conditions of employment also are generally the same as those that apply to the competitive service. In compliance with the Panama Canal Treaty and related agreements, initial employment preference is granted at all grade levels for Panamanian applicants with the required knowledge, skills and abilities.

b. **Qualification standards.** The PAPB approves the qualification standards used for all personnel actions. In general, qualification standards issued by the OPM or those developed by individual agencies are adopted for use under the PCES.

c. **Pay rates.** Pay rates for employees who are recruited from outside Panama are fixed relative to pay rates for comparable US positions. Employees hired locally are paid according to pay rates developed in Panama and approved by the Secretary of the Army or designee.

d. **Overseas employment benefits.** The following employment benefits apply in Panama for US citizen employees recruited from outside Panama:

(1) Differential of 15 percent. This differential is considered part of the base pay for tax and retirement purposes.

(2) Transportation of the employee and eligible family members to and from Panama at Government expense.

(3) Shipment of household goods, within designated allowances, to and from Panama.

(4) Annual leave accumulation of 360 hours (45 days).

(5) Tuition-free elementary and secondary education at DOD-operated schools.

(6) Educational travel allowance.

(7) Accumulation of home leave at the rate of 5 leave days per year.

(8) Renewal tour agreement travel.

(9) Government controlled on-post housing at reasonable rental and utilities cost.

(10) Post exchange and commissary privileges.

(11) Shipment of one POV at Government expense, when authorized.

(12) Temporary quarters subsistence allowance.

(13) Miscellaneous expenses allowance.

(14) Allowances for expenses incurred in connection with real estate transactions and unexpired lease.

e. **Status of employees.** Nontemporary excepted service employees under the PCES have status comparable to career or career conditional status in the competitive service. A US citizen employee who completes 1 year of nontemporary excepted service under the PCES or the former Canal Zone Merit System becomes eligible for noncompetitive appointment to a competitive service position. (See FPM chap 315 for noncompetitive appointment.)

6-4. MOVEMENT OF EMPLOYEES BETWEEN PANAMA AND OTHER AREAS

Movement of an employee between Panama and another area is processed as a conversion to a new appointment. Current DA employees recruited from the United States are eligible for reemployment rights under chapter 352 of this regulation.

6-5. ROTATION FROM PANAMA

a. The Panama Canal Treaty and related agreements require that non-Panamanian employees hired on or after 1 October 1979 be subject to a system of periodic rotation. Employment in Panama for DA employees is governed by the DOD rotation program.

b. Non-Panamanian citizen employees being assigned to Panama are required, as a condition of employment, to sign the DA Form 5369-R. (See para 5-2.) US citizen employees who satisfactorily com-

In 1984, The Army proceeded with reorganization plans which significantly altered the officer/enlisted ratios. This revised structure resulted in an increase in the number of officers being assigned in the Panama Canal Area. This reorganization was undertaken in full realization that housing assets were not available to accommodate the increased grade structure.

As these officers started to arrive early for their assignments they were very vocal in expressing their dissatisfaction with the housing situation. The Command Group responded to this dissatisfaction with a very simplistic solution - throw the civilians out.

In more recent years, the Directorate of Engineering and Housing, the agency charged with responsibility for managing housing assets for the Army in Panama, has been headed by Officers with such impoverished management capabilities that the ballooning housing shortage burst upon them with unexpected suddenness. This management team failed to adequately monitor increasing housing demand against a declining housing asset inventory. Simple housing asset inventory forms were improperly prepared; consequently, these reports as they were reviewed by higher headquarters reflected housing inventories and local availability which indicated no housing problems and thus no need to augment the housing inventory. That this incorrect reporting of housing inventories was tolerated by the Chain of Command not only brings into question the managerial competence but, more importantly, has created this housing situation that the Army hopes to remedy by evicting its veteran civilian workforce.

TAB D

The military services in Panama actively participated in negotiation of the Panama Canal Treaties. These negotiations were conducted in the utmost secrecy without benefit of input by civilian staff members of the services. The Army, which has historically experienced a housing shortage in the Panama Canal Area, agreed to turn over to the Republic of Panama 170 sets of quarters - an action it could ill afford.

When the secrecy wrap was lifted from these negotiations and staff members had an opportunity to evaluate the implications and impacts of the Panama Canal Treaties the potential for critical housing shortage was readily recognized. The fact that in 1979, housing assets were already short, coupled with the provision that the Army in October 1984 (five years after the Treaties went into effect) would be responsible for providing housing for Transfer of Function (TOF) employees* , would result in compounding the already existent housing shortfall. The Army was in the process of identifying to Congress the resource requirements to implement provisions of the Panama Canal Treaties. The Treaty Affairs Officer and the Director of Engineering and Housing were both advised of the potential housing time bomb contained in the treaties as a result of the provision to house transfer of function employees. These officials chose not to take any action to address the problem to Congress.

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*TOF's are those employees whose employer, prior to October 1979, was the Panama Canal Company or the Canal Zone Government, i.e., Schools, Hospital, and Commissary personnel, whose functions were transferred to the Department of the Army.

TAB E

Mr. HEFNER. Is that all?

Mr. COLEMAN. Yes, sir.

Mr. HEFNER. The gentleman from California.

Mr. LOWERY. Thank you, Mr. Chairman.

EXERCISES IN HONDURAS

General, what exactly is the purpose of our exercises in Honduras? They seem to be sustained for a long period of time. Is it Pine 4?

General GALVIN. Four, that is correct.

Mr. LOWERY. Is it to apply political pressure in the regional presence?

General GALVIN. ———.

And the third is to provide training to our own people in deployment and in operations in an area with which they are not familiar. It enables the Services to get them out of returning to the same place to do exercises that they have done for years and years, and it provides otherwise unavailable joint and combined training opportunities.

Those are the three purposes of the presence there. ———.

Mr. COLEMAN. Where is this?

General GALVIN. ———.

Mr. LOWERY. Do we use American military aircraft to supply any of the contras?

General GALVIN. No, we do not.

Mr. LOWERY. Or military bases there?

General GALVIN. There is no American military base. As you know, we are tenants in some places.

Mr. LOWERY. Well, it is construction of airfields and the like.

General GALVIN. No. For example, this year, as you know, we had an airborne operation where airborne engineers jumped in and the equipment was also parachuted in. They are in the process right now of constructing a small dirt strip. That strip is constructed at ———. When we said we would like to build an airstrip, get a chance to do something like that, ——— said, "Okay, here is where we would like to have you do it."

It is the kind of strip that will not stand up under the elements very long, a few months. It will then go away, unless the Hondurans put some money and effort into maintaining it. I think they intend to do that. It has nothing to do ———

CONCERN OVER CONTRA PRESENCE IN HONDURAS

Mr. LOWERY. ———.

General GALVIN. I think that there may be concern on the part of the ——— about that. I don't think it is specifically that type of concern. There is more concern that if there is no success with the ——— i.e., no success ——— where does that place, the ———. They will be coming for us next, and what do we do then?

When they talk to me, they say, "When are you going to provide more support? When are we going to really get together on this thing?" And they want to see sustainment in the policy.

This is the message I get all the time. Specifically, they say, "Hey, you came in and said you were going to do ——— with us on this, and they you did ——— and left us in a ———. All this is a little bit awkward, to say the least, and "then you dropped out of the picture and left us alone, and now you are providing some support. When are you going to have a sustained policy that we understand?

Mr. SANCHEZ. This is their big question, and I discussed this with them again last week, and it hasn't changed. ———.

Mr. LOWERY. You say they, referring to aid we are giving to Honduras?

Mr. SANCHEZ. ———.

HONDURAN-SALVADORAN BORDER

Mr. LOWERY. Is there any improvement in the Honduran-Salvadoran border problem? There are some negotiations under way to resolve these four or five areas that are in dispute.

Mr. SANCHEZ. As you know, they ran out of time in their ———. They now, ——— have ——— in which one or both parties can determine to take it to the international court in the Hague ———.

General GALVIN. I might add one thing to that. ——— and is a young man, a very vibrant individual, has now become ——— He met recently ——— with some of the people from ——— He tried to pass that off as a simple administrative meeting, but the question in my own mind is, why did they all go to ——— and meet? Why so far to go and do that?

I have a feeling myself that there was an attempt going on right now between ——— to work out something.

Mr. LOWERY. Wouldn't it be better for a group of bilateral relations with—there has been tension in the group in the past.

General GALVIN. That is true. I would say it would be a sign that that tension has alleviated. Of course, the tension is why it hasn't happened up to now.

Mr. LOWERY. It makes it difficult for us in terms of our bilateral relations with those countries just how much aid we are going to provide to one and not to the other.

General GALVIN. What it would really help is the problem that we have and that they have primarily on the border. Along the borders there are certain, what they call, ——— certain areas that only ———.

With this growing border problem between the two countries, there has been a little cooperation in the past between the military forces, but a settlement would eliminate that problem, and take a sanctuary away from the guerrillas that they are very interested in keeping.

Mr. COLEMAN. I think that is the biggest problem everybody has, saying there is no question that the issue of contra aid to Nicaragua and Central America may not be the very biggest issue that ever faced this country, but there are a lot of us that think it deserves a lot more attention by Congress and the administration collectively than our Government is giving it, and I think you have hit the nail on the head, Mr. Secretary, when you said we are up and down.

I think there is a feeling, and I think you hear it all the time, I have heard it, that we are not sure where the United States is, whether they are going to be here tomorrow, we are not sure what they are going to do in five years. There is no consistency of policy, whether in fact it is military or economic or whatever, and it seems to me that we should at least be given the opportunity to formulate such an ongoing long-term policy, and unfortunately, from my perspective, whatever parts of the Kissinger Commission you liked or didn't like, we have never had the opportunity to have it discussed and formulations sent to us from the White House or from the Hill on to the floor of the House or the Senate.

We have never had the opportunity for all of us as a country really taking the best experts and the best advice we can get to discussing that consistency of policy, and what it is we want to achieve and statements of our goals and how we get there.

I mean, I think that is the thing that is the most frustrating for a lot of us, because we are only a small segment in that overall picture in terms of military construction subcommittee.

As I said a while ago, we are trying to keep it on a plane relative to what your mission is. Your mission, though, is inextricably linked to that goal, and it seems to me that if we have that kind of a policy, it would be so much easier for all of us to sit down and talk about it.

I think that is the difficult part, all of us saying that what we are doing in appropriating funds, for whatever purpose, doesn't ever seem to me to be very logical. I just have a difficult time, as one Member of Congress at least, in putting that together.

Mr. SANCHEZ. I think you are absolutely right, because historically we have not had a long-term, consistent policy in the area. We have reacted when we have a crisis in the area, and that isn't enough, because this gives us exactly the kind of problems and nonconsistent policy that we have been faced with.

I agree with you 100 percent. I think it is essential that we develop a long-term policy for this area, and that we do everything that we possibly can to get the bipartisan support that is necessary for it, so we can keep it up, because then we get back to the concerns that the Chairman mentioned before, and those are the basic concerns, and we can never forget that. Those are the root problems, the economic and social problems. These we are not going to solve overnight. Only over a long period of time are we going to be able to deal with those problems and help them deal with them.

Mr. COLEMAN. I don't think the military should be excluded from that.

Mr. SANCHEZ. No, not at all.

Mr. COLEMAN. The fact is that we have had soldiers there who understand the issues, who can also give us advice on policy. I don't think it is one or the other in the case of our foreign policy. I think it has got to be a united policy between State, Defense and the Congress, and the Republicans and the Democrats, so we can finally come to a resolution about what our goals are and how we achieve them. I just don't think we have that.

I think that is the biggest problem that a lot of members truthfully are having with it. Some people suggest that we just don't understand it, and I think that may be true, but I don't see how in the world we are ever going to understand it when there is no cohesive national policy.

I think that is a very frustrating part of this entire business, and it is okay, I guess, to do it the way we are doing it, just piecemeal here and there, but I wish we weren't doing it that way.

Mr. LOWERY. I have to agree. I has been without consensus, without cohesiveness.

The morning in another session, there was talk about ———. That is not a policy; that is a project, but that is not any kind of a visionary, long-term policy.

We get a little from CBI. We are paying a little more attention to our own hemisphere and, being from San Diego, I feel it is long, long overdue.

I agree with my colleague from Texas. Where are we going and what do we want to accomplish? When we look back over the previous five years, the administration in terms of trying to bring democracy to the region has had very good success. This leads to my next and final question.

POLITICAL SITUATION IN PANAMA

The political situation in Panama: It seems that for years the military has tried to and now has finally at least won an election, at least winning over 50 percent of the vote. They finally accomplished that this time, and then something happened. They grew disenchanted with their candidate. What did happen?

General GALVIN. Well, I will take that, and you can add to it.

What happened in Panama is, first of all, that the military, as you know, has had a history ever since 1968 if you go back and you can go back before that, of being the true, political power in Panama. The Panama Defense Force, PDF, and the Partido Revolucionario Democratico the PRD, have been the same thing. So you have a military organization that is also a political organization.

Now, that means that the military leaders, because they are the oldest and most successful surviving institution in the country, not acting the way Guatemala, Honduras and El Salvador have, which have been supportive of real democracy, have wanted to maintain their own control to a great degree.

The election of Barletta itself was ———.

Mr. LOWERY. They haven't succeeded in the past; they just set the elections aside?

General GALVIN. That is right.

Mr. LOWERY. At least the appearance of a majority?

General GALVIN. ———.

The very first thing he did in late 1984, he came up with a lot of fiscal new approaches which were rejected by the people. They came into the streets and he said, okay, and he backed off from that.

It was a sign of weakness and indecision right from the very beginning which was picked up by our people there and seen that way. He continued vacillating in that vein until such time as some other things happened.

First, the ——— which unsettled everything.

Mr. LOWERY. What incident was that?

General **Galvin**. That was the ——— who was a prominent individual and also a gun runner and some other things. He came from a very powerful family, and he was ———.

This unsettled things, and it may have even gotten to the stage where President Barletta may have been ——— Not only the army but a lot of other people didn't like that idea. As I understand it Barletta was called ——— by many of his colleagues in the legislature, in other places in the government, and by friends and by enemies to resign, which he did.

He later said that he was forced to resign, or has said that. But apparently there was a meeting of about ——— people who told him to resign.

Then the vice president, as prescribed in the constitution took over the presidency. That is where we are right now. Del Valle was initially looked on as weak, but has shown himself to be capable of running things and each month that goes by, he gets a little stronger.

The Ambassador and I have been working on the problem from the American point of view. We have met every week since last August. First Ambassador Briggs, now we will have Ambassador Davis. I have talked to Ambassador Davis about this too at some length.

What the general arrangement has been is that I ——— a military-to-military basis, and the Ambassador talks to the president. We are trying ——— I might add, with a lot of help from Mr. Sanchez, we are trying to move in ——— towards more political space and more pluralism in Panama. ———.

SUPPORT FOR DEMOCRATIC MOVEMENTS

Mr. **Lowery**. With the other Central American countries, the armies have always been the traditional power and have been more supportive of a true democratic government. We are seeing the transitions take place in Honduras now with two democratic elections and a peaceful transition of power, and in El Salvador where it is the military that are actually insisting upon the elections and are the great defenders of the democratic process.

General **Galvin**. One is the enormous popularity and power of Omar Turrijos. In 1968, when we were beginning to get this kind of transition in Panama that we have seen in the other militaries in the region, where they began to recognize that the military institution must not be used to be the basis of the government the process was disrupted. The military institution, that continued in Panama, first because Torrijos was the powerful individual that he was, secondly because, in my own opinion, you have to look at ———. So what you have then is a country that lacks the depth of infrastructure, and therefore the time to consider problems and long term programs of changes.

Problems tend to explode in a way that they do in a big city that isn't under the best control. Since ——— the police and also controls the prison systems, then you have to look on ——— and those are the two reasons, in my opinion.

Mr. **Sanchez**. And the other one, not to forget, is what General Galvin mentioned at the beginning, that ———.

Mr. LOWERY. We seem to be following more the American military separation, the politics from the military.

CARIBBEAN BASIN RADAR NETWORK

Mr. COLEMAN. Let me ask a few more questions. With respect to the Caribbean Basin radar network, your justifications say the construction plans allowed for a requirement for $15.3 million in the next three years to construct radar and ground stations in several locations.

Would you explain the requirements for this radar network and where you anticipate their location?

General GALVIN. If you take off today from Bogota flying to Miami, you would think you would be under radar control all the way, but in fact you are not. This is hurting us not only in that way, but in drug trafficking in general defense of the Panama Canal, and the Caribbean Basin, because we don't know what airplanes ———.

What we have now, as you know ———. So the long-term idea is to build that regional coverage system.

Mr. COLEMAN. To what use will it be put? Will it be military? Will the Customs Service, for example, have the ability to interface with it or utilize it?

General GALVIN. Yes, it will be air space management for everybody including the host nations involved.

[CLERK'S NOTE.—The following questions were submitted by Mr. Hefner:]

Question. With the mandate to move out of Panama by 1999, why have you proposed locating the $7.8 million operations center for this radar network in Panama?

Answer. The CBRN will be a joint/combined system operated by the USAF at Howard AFB under the operational control of the USSOUTHCOM. Under our concept, we can use ——— with minimal additive costs. The Operations Center (JCOC) will be designed with relocatable construction to give us the option to move it.

Question. The Department of Defense currently operates at leat two radar sites in Honduras, one on Tigre Island and one at Cerro La Mole. How do these existing radar sites relate to this initiative and how long do you anticipate they will be in operation?

Answer. The only radar site in Honduras is on Cerro La Mole. There is no longer a radar on Tigre Island. The USF TPS-43 radar at Cerro La Mole will be replaced by a Honduran purchased TPS-70 radar later this year. The ———.

[CLERK'S NOTE.—This concludes Mr. Hefner's questions.]

ANDROS ISLAND, BAHAMAS

Mr. COLEMAN. I had one question also on Andros Island, Bahamas. You have billeting for 96 contractor personnel being performed by the Navy. Could you tell me what that particular item is?

I can tell you I am an expert on Andros Island. As a captain in the Army, I was sent there for notification of next of kin in 1969. There are no roads, for instance. I am an expert. The Army didn't know that at the time they sent me.

Mr. LOWERY. When are we going to go and see it?

Mr. COLEMAN. I don't think you would really want to. You can only get there by flying in. There is an airport there where Eastern Airlines used to stop, but you still couldn't get to an area called Tongotown that I had to get to without flying into Nassau. That is when I wished I was a lieutenant and not a captain, because I could have turned back. I could have said I was a lieutenant and didn't know better.

I was just wondering about the billeting of 96 contractor personnel, what would that be for.

Mr. MURPHY. I am Mr. Murphy, Department of the Navy.

We are requesting that projects at Andros where we operate an underwater test center. The tongue of the ocean that is adjacent to Andros is a very favorable area for ASW test and evaluation work.

Our base there, which is a military base under agreement with the Bahaman government, is a military base. You have military facilities there. This barracks would be built as a military building, but made available to our contractor, who at the moment currently is RCA, who operates the base and operates many of the range facilities, and because, as you say, there is no local economy of any kind, and any contractor like RCA coming in there would be confronted with an untenable situation, we feel it is optimum to make a barracks available, and indeed, if there is a successor contractor, he would take it, or if we went through a military operation, we could put it back to military use.

We see it as a very versatile approach to making housing available.

Mr. COLEMAN. Those are all the questions I have.

[CLERK'S NOTE.—The following questions were submitted by Mr. Hefner.]

ANDROS ISLAND, BAHAMAS—CIVILIAN QUARTERS

Question. Can you justify the high cost of $75 a square foot for civilian billeting?

Answer. DOD guidance cost for Bachelor Enlisted Quarters is $58 per square foot. The area cost factor for Andros Island is 1.2 due to its remoteness and lack of an indigenous construction industry. The size factor for this relatively small facility is 0.914. After adjusting the $75.00 per square foot cost presented, the equivalent cost is $56.00 per square foot, actually below DOD guidance cost.

Question. Why is a permanent facility required? Has the Navy considered a less expensive temporary type of structure for contractor personnel? If not, why not?

Answer. The Navy's test and evaluation mission supported from the Andros facility will continue for the long term. Pemanent, Navy-owned facilities yield the least life-cycle cost and afford versatility for use by successor contractor personnel, or by the Navy in the event full military operation becomes necessary. The temporary expedient of relocatable modules was used here in the early

1980's, with unsatisfactory results as to maintenance problems and poor habitability standards. These units will be replaced by the permanent facility proposed this year, and future projects for permanent quarters.

HONDURAN AGREEMENT

Question. I would like to repeat my question regarding the current nature of our agreement with the Hondurans. Is there an updated formal agreement of any kind?

Answer. In August of 1984, the Hondurans requested a bilateral commission review Honduran concerns on bilateral issues. A negotiating structure was subsequently formed and first met in Dec 1984. Since that time various agreements have been negotiated some of which are technical agreements and some of which are protocols to the 1954 and 1982 agreements. Negotiated agreements cover such areas as: criminal jurisdiction, exercises, airfield maintenance and repair, and claims procedures. The technical agreements are in various stages of implementation. The protocols on criminal jurisdiction, airfield repair, and exercises are pending approval of the Honduran legislature. The procedures for settlement of claims in a unilateral declaration and conforms to the requirements of the Foreign Claims Act (ID US 2734). These protocols will be reported to the Congress IAW the Case Act. A ———.

CONTRA AID

Question. How do the Hondurans and Costa Ricans view the Nicaraguan threat?

Answer. The Hondurans and Costa Ricans are very concerned about Sandinista actions and intentions. They are threatened by the massive, unprecedented Sandinista military force which they are incapable of matching. The infiltration of armed subversive groups into Honduras, frequent Sandinista border incursions, Sandinista support to the FMLN in El Salvador, proven ties with the M-19 in Colombia and ———. In addition the Sandinista intransigence and lack of good faith throughout the Contadora process have proven to Honduras and Costa Rica that the Sandinista regime is the primary threat to regional stability and security.

Question. If the aid is approved with a 60 day or 6 month delay for negotiations, how do you foresee the Nicaraguans reacting?

Answer. From a purely military perspective, ———. I support efforts to bring the Sandinistas to serious negotiations with all elements of the opposition. I am concerned that negotiations without an accompanying cease fire or negotiations without concrete milestones will be manipulated by the Sandinistas as they continue their efforts to annihilate the DRF.

Question. What effect do you think that continuous U.S. presence in Honduras has had on the Nicaraguans?

Answer. U.S. military presence in Honduras clearly manifests U.S. commitment to regional security and development. Increased professionalism in the Honduran Armed Forces also grows out of the close associaton with the US military during frequent combined exercises.

EXERCISE PLANS

Question. The JCS has planned a series of exercises in Honduras through 1991. Reportedly, with similar scenarios each year. Would you expand on your exercise plans in Honduras and explain why it is necessary to repeat each type of exercise every year?

Answer. There are four series of exercises contained in the JCS Five Year Exercise Plan: AHUAS Tara, Blazing Trails, Cabanas, and Kings Guard. Briefly, AHUAS Tara is a combined/joint conventional counterinsurgency exercise; Blazing Trails is an engineer exercise; ———. The specific exercises conducted within these series differ significantly in terms of scenario, location, scope, and units. Within funding priorities, each exercise is developed to further U.S. objectives and achieve the objectives of the participating units as identified by the Honduran and U.S. Commanders. Within the general exercise framework, a wide-range of scenarios and exercise activities provides a unique experience for each U.S. unit which participates in combined exercises in Honduras.

MOVING USSOUTHCOM HEADQUARTERS

Question. As you know, the U.S. will be out of Panama by 1999. Do you have any plans to move the USSOUTHCOM Headquarters elsewhere in Central America?

Answer. There are no current plans to move the headquarters to another Central American country. I have forwarded a study on U.S. options after the year 2000 which DOD and State are now staffing. No decisions have been made.

Question. From an engineering standpoint, you will have to begin planning for this move soon to ensure the availability of replacement facilities by 1999. However, your construction plan indicates a desire to spend $93.7 million on facilities in Panama between now and 1991. Are there any alternate locations under consideration for USSOUTHCOM headquarters and other U.S. facilities and where are they?

Answer. Monies programmed for Panama through 1991 are funds needed to sustain current operations within the region in support of U.S. policy objectives and strategic interest. Relocation alternatives are yet to be identified.

PANAMA CONSTRUCTION

Question. The Department of Defense is planning to request $48 million in fiscal year 1988 for 1,000 relocatable family housing units in Panama. Explain the reason for this request?

Answer. Due to the release of housing units as a result of the Treaty, the Army has a sustained housing shortfall. To overcome this shortfall, 400 relocatable housing units were originally programmed for FY 86 and 600 relocatables programmed for FY 87. HQ DA has reduced the 1,000 units due to budgetary constraints. My Army component has now been notified that the 400 units of relocatable housing (estimated at $19 million) is in the FY 88 program. I am in the process of reviewing what our projected additional housing requirements are.

Question. Describe how these units would be relocated and at what cost?

Answer. Construction of the relocatable units will be on existing site areas which will remain under U.S. control until the year 2000. At that time, the relocatable housing units could be shipped back to a location in the United States or sold for their residual value. Cost of transporting the units to the United States would be determined by their destination.

REMOTELY PILOTED VEHICLES

Question. Briefly describe the current operation at San Lorenzo with Remotely Piloted Vehicles and why $1.6 million in construction funds is necessary to support it?

Answer. The current RPV operation in Honduras has two purposes: ———. At this time, the construction envisioned is site preparation and security for up to four additional ground sites. Possible relocation from San Lorenzo to a more suitable operational location is also being considered. The construction will consist of cutting roads to the sites, security fencing and providing basic modifications to the ground sites, such as concrete slabs, lighting, latrines, etc.

Question. Are we obtaining any actual intelligence information on Nicaraguan activity as a result of this operation?

Answer. ———. Since this is an R&D effort, it is ———. It ———.

Question. How long do you anticipate the JCS mission will last?

Answer. USSOUTHCOM continues to test and evaluate the development of a reliable system for application to low intensity warfare needs. It is unknown how long this R&D effort will take before we can transition to a fully developed operational system.

AQUACATE AIRFIELD

Question. Your plan indicates a plan to repair a building at Aquacate, Honduras as part of an exercise in fiscal year 1986. Aquacate has been mentioned on several occasions as the support site for CIA assistance to the Contras. What exercise is planned in the Aquacate area and does it relate to alleged CIA activity in that area?

Answer. The project is at Aquacate, Panama, and is listed in the Caribbean Basin Construction Plan on page 18 under the country heading Panama. The U.S. military does not use nor does it have exercise plans to use Aquacate airfield or related facilities in Honduras.

GUANTANAMO BAY, CUBA STANDBY GENERATORS

Question. Explain why the proposed generators which constitute 82 percent of the project cost are not programmed in the defense budget rather than the military construction budget.

Answer. Military construction funding for the emergency generators is consistent with Navy policy to use such funding when equipment is built-in, that is permanently fixed, to the facility. The built-in equipment consists of generators, diesel engines, fuel tank and piping, switchgear, electrical wiring, and controls systems. This equipment will be permanently installed in the new emergency power building. At a capacity of 1,000 kilowatts each, these medium speed units are large and require permanent anchorage to a foundation.

MAINTENANCE BUILDING, PUERTO RICO

Question. Explain why the project for a maintenance building in Puerto Rico could not be built using the Seabees.

Answer. Navy policy is to use Seabees for short duration training projects at overseas bases and avoid competition with United States contractors. The construction of this facility requires repetitive use of skills not consistent with Seabee training requirements. Seabees would be placed in direct competition with United States contractors for this project. The Seabees currently have a substantial backlog of smaller type projects at Roosevelt Roads. The type of projects scheduled for Seabee accomplishment include: road work, pavement, waterfront construction, and small structures. Many of the projects are located at Vieques Island, which is remote from the Puerto Rican mainland and has little indigenous construction industry.

Question. How much would be saved if Seabees were required to do the construction?

Answer. No overall savings would realized. Apparent cost reductions would be offset by increased costs associated with delays in currently programmed Seabee projects.

CABANAS 1986

Question. Construction of two airstrips, a base camp, and an unpaved road will commence within a week in eastern Honduras in support of Cabanas 86. Explain the purpose of this exercise and why construction of another airstrip in Honduras is required.

Answer. Only one temporary airstrip is being constructed for Cabanas. One C–130 capable assault dirt strip at Mocoron will provide the airborne engineers training in their primary mission of constructing an airfield in a remote area. This airfield will then become the focal point for a ———.

Question. Why is it necessary to repair the airstrip at Puerto Lempira?

Answer. The already existing airstrip at Puerto Lempira requires some minor repairs in order to sustain C–130 resupply operations during the exercise until the airstrip at Mocoron is capable of receiving C–130s.

AHUAS TARA 86

Question. The Department is conducting the Ahuas Tara 86 exercises involving 2000 US troops at San Lorenzo, Palmerola and Ojo de Agua. Explain why it is necessary to pay a contractor $68,000 for latrines and vegetation clearing. Does this contribute to the realistic scenario of the exercise?

Answer. Ahuas Tara 86 is a command post exercise (CPX). There are few troops deployed that could provide manpower early enough in the deployment phase to prepare for arrival of participating headquarters. If contractors were not used, it would be necessary to ship selected personnel and equipment to clear approximately 200 acres for occupancy by participating units. As previously noted, this is a CPX which involves deployment HQ elements and sufficient support units to assure command, control and communications. In a field training exercise (FTX), there would be the type of units, such as engineers, necessary to prepare for the arrival of command, control and communications and follow-on units. For this CPX, we determined it more cost effective to contract the work rather than deploy additional personnel.

Question. Are the troops incapable of performing construction of latrines and vegetation clearing?

Answer. No. However, the nature of AT 86 as a CPX does not provide for the deployment/employment of those units, such as engineers, that would construct facilities and clear vegetation. Present JTF-B assets do not have the capability of providing these services. The JTF, in fact, relies on contracting support for base operations in lieu of a larger number of US combat support and combat service support units/personnel.

Question. Explain what specifically will take place at each of the three locations mentioned and how many US troops will be involved.

Answer. AT 86 is a command post exercise to be conducted with selected HQ and staff elements. These participants will exercise ———.

POLICY OBJECTIVES

Question. Secretary Taft, in recent correspondence to the committee, stated that the parinicpal U.S. policy objectives for Central America are to "advance democracy and economic development, to restore peace in the region, and halt and wherever possible reduce the influence of the Soviet Union and Cuba." He also stated that all U.S. duties and activities in Honduras, except for embassy related personnel, are temporary in nature and will continue to function for as long as the situation in the region requires. The construction plan submitted in support of this policy calls for an additional $30 million for various facilities in Honduras in the next five years. Could you explain more specifically how the plan for continuous exercises and $30 million in temporary construction supports the U.S. policy objectives in the region?

Answer. U.S. policy objectives accurately reflect our desires for the region over the long term. The military construction program is a visible sign of U.S. commitment to long term stability in the region. The fact that most of what we are doing is temporary construction reflects our concern and that of our allies tht we not establish a permanent military presence. It demonstrates that the U.S. is willing to expend its own vital rsources to enhance stability in the region. Our exercise program complements the military construction activities in support of US policy objectives. Our efforts in the region are related to the security situation faced by our allies in the region.

MILITARY TRAINING CENTERS

Question. The U.S. has provided $26.9 million in FMS funds for the construction of military training centers in El Salvador, Honduras, and Costa Rica. In terms of Honduras, the site will be El Bijugual. Where is this and why was it chosen?

Answer. El Bijagual is in Olancho Province near the city of Juticalpa. The site was selected because: it is close to a major Honduran Battalion Headquarters, the physical characteristics of the site, the relative isolation from civilian population concentrations, and because it is centrally located and has access to a major highway into Tegucigalpa.

Question. What type of training will occur here and what is the U.S. involvement?

Answer. The Honduran training center will provide standardized training for Honduran soldiers. US involvement will be in training the Honduran trainers and cadre, providing equipment, logistics support, and construction through normal security assistance procedures.

Question. What type of training is occuring at the Costa Rican Training Center?

Answer. The Costa Rican Training Center provides basic military training and small unit training at the platoon and company level.

Question. Will any additional construction funds be required.

Answer. Additional funding for construction is not anticipated at this time.

PERMANENT CONSTRUCTION

Question. Provide for the record a list of all nonexercise minor construction planned for fiscal year 1986 that is permanent.

Answer. The only projects that fall into the permanent category are perimeter fence and the guard towers.

PANAMA AIRFIELD

Question. Last year, $21 million was requested for enlarging the apron at Howard AB, Panama. These funds were denied by Congress. Why was this project not requested in fiscal year 1987?

Answer. When we received official notification that the Howard Ramp project was not funded by Congress in FY 86, the FY 87 program was ready to go to the OMB. SOUTHCOM has requested this project for the FY 88 program based on a revalidation of this requirement.

PALMEROLA AB CONSTRUCTION

Question. Outline the master plan for Palmerola AB and explain what the $30 million in upgrades proposed for Palmerola AB will fund.

Answer. The $30 million program represents a plan for basic facilities for US activities in Honduras. The objectives include a rational approach to troop support, the need to address contingency pavement and logistics requirements, and the necessity of coordinating the plan with Honduran Armed Forces programs. Included in the amount is:

	Million
FY 87: Contingency facilities (Palmerola)	$5.0
FY 88:	
Facility improvements—phase I (Palmerola)	4.0
RPV Ops/maint facilities (San Lorenzo)	1.2

	Million
FY 89:	
Facility improvements—phase II (Palmerola)	12.0
Engineer Equipment Facilities (to be determined)	1.2
FY 90:	
Facility improvements—phase III (Palmerola)	6.0
RPV (Additional locations if required)	.4
Total	29.8

This four year program is designed to satisfy valid needs under the assumption that the situation does not significantly change.

Question. What specifically are "low maintenance useable facilities?" Are they temporary and/or relocatable?

Answer. The facility concept for the FY 88 project is still being finalized. The purpose of the project is to use "porta-mod" type relocatables or to request simple concrete block structures consistent with Honduran designs. In either case the requirement for adequate troop support dictates that CAT huts be replaced. Some of the CAT huts have been in use for almost 3 years.

Question. The amount of $4.9 million has been requested for contingency facilities to an indefinite deployment in support of a JCS mission. Can you be any more specific on the length of this deployment?

Answer. The deployment of the Cedar Deck program was approved for five years. Curtailments or extensions can be considered at any time. The details of the program have been provided to the House Select Committee on Intelligence.

Question. The justification, once again, indicates that without this project, U.S. military teams will be subject to terrorist threats in areas of high population density. It was my understanding that these troops are already on base. Can you explain this apparent inconsistency?

Answer. The MILCON request for Cedar Deck contingency facilities is a requirement with or without JTF-B support. The terrorist threat applies if the MILCON is not approved, and the mission personnel had to reside and work off the installation.

Question. How much of this project will result in permanent construction?

Answer. The only permanent construction is the concrete parking apron. The other facilities could be dismantled or relocated.

Question. Will the aircraft apron and maintenance hangar be permanent construction?

Answer. The apron is permanent. The hangar could be relocated.

BASE OPERATIONS CONTRACT—PALMEROLA AB, HONDURAS

Question. The U.S. has contracted for several construction contracts at Palmerola AB. Were they competitively bid, or negotiated with the base operations contractor?

Answer. In accordance with Federal Acquisition Regulations any contract estimated to be over $1,000 was competitively negotiated with the base operation contractor and local Honduran contractors submitting proposals. Exception is made only if the contract is of a high priority and has to be accomplished quickly.

Question. How do you plan to contract for the remaining nonexercise minor construction at Palmerola AB?

Answer. In accordance with Federal Acquisition Regulations, all construction or other contracts with an estimated value of over $1,000 will be competitively negotiated with as many potential contractors as possible.

Question. Your plan indicates a need for $65,000 for a baseball field, $115,000 for a racquetball court, 15,000 for a basketball court and $80,000 for lights to support these facilities. Can you justify these costs for temporary sports facilities?

Answer. These sports facilities are intended to provide soldiers with safe and healthy alternatives to spending nights downtown. Currently there are few alternatives for off duty servicemembers on Palmerola AB at night. The need to provide these facilities is extremely important. Since most of these servicemen work during daylight hours, often 7 days a week, lighting is needed to ensure the facilities are useable after dark. The justification is health, safety and security of soldiers and airmen.

Question. Services at Palmerola AB such as food preparation, waste disposal, shower, and laundry operations, grass cutting and vehicle rental and maintenance have been provided via contract since July of 1984. The total annual cost of these contracts is $3.9 million annually according to the GAO. Outline your current plans to let a four year base operation contract.

Answer. Currently, a proposal which requires contractor performance of all base operations services is under consideration. The new contract will be for three months with options to renew in one year segments up to a maximum of four option years. This type of contract is in accordance with Federal Acquisition Regulations and is similar to commercial activity type contracts in CONUS.

Question. How much do you estimate this base operations contract will cost?

Answer. Approximately 13 million dollars if all option years are exercised; i.e., $3.06 million per year for four years.

Question. Explain why a contract for 59 rental vehicles costing $925,000 annually is necessary.

Answer. The Commander of Joint Task Force Bravo has a stated requirement for 59 wheeled vehicles to support his operation in Honduras. USSOUTHCOM validated the requirement. After rejecting tactical vehicles, HQDA authorized the leasing of commercial vehicles to fill the requirement. It was advertised in the *Commerce Business Daily* in accordance with the Federal Acquisition Regulation and after solicitation, 3 bids were received. The lowest bid was for $925,000.00. The contract included maintenance for fair wear and tear, and a provision for damage negotiation. Although the price was considered high, even by Honduran standards, the only options were to provide tactical vehicles or accept the contract as bid. Since the Army stated it would be very difficult to supply tactical vehicles, the contract was accepted IAW the procedures of the Federal Acquisition Regulation for one year, with an option to extend for two additional years. Several alternative proposals and their projected costs were recently submitted to FORSCOM. No final decision has been made by the Army.

Question. Does the Department have a shortage of vehicles?

Answer. Annual procurement of Army owned nontactical wheeled assets cannot keep pace with rapid loss rates due to aging fleets. Leasing vehicles in lieu of authorized shortages is the only means of narrowing the deficit and achieving a full compliment of authorized allowances.

[CLERK'S NOTE.—This concludes Mr. Hefner's questions.]

Mr. COLEMAN. Thank you very much General and Mr. Secretary.

THURSDAY, MARCH 20, 1986.

TESTIMONY OF MEMBERS OF CONGRESS AND OTHER INTERESTED INDIVIDUALS AND ORGANIZATIONS

WITNESSES

HON. VIC FAZIO, McCLELLAN AND TRAVIS AFB, VARIOUS PROJECTS

HON. BUDDY ROEMER, FORT POLK SCHOOL

HON. JIM KOLBE, FORT HUACHUCA, JOINT TACTICAL COMMAND, CONTROL AND COMMUNICATIONS TEST CENTER

HON. BILL DICKINSON, NATIONAL GUARD ARMORIES; MAXWELL AFB SQUADRON OFFICERS SCHOOL LEADERSHIP DEVELOPMENT COMPLEX; FORT RUCKER U.S. ARMY AVIATION MUSEUM

HON. LEON PANETTA, FORT ORD, VARIOUS PROJECTS; DEFENSE LANGUAGE INSTITUTES

HON. TONY HALL, WRIGHT PATTERSON AFB, VARIOUS PROJECTS

HON. ROBERT MATSUI, MATHER AND McCLELLAN AFB, VARIOUS PROJECTS

HON. LINDSAY THOMAS, KINGS BAY, VARIOUS PROJECTS

COL. DAVID PALMER, RESERVE OFFICERS ASSOCIATION, GUARD AND RESERVE PROJECTS

SGT. MAJ. C.A. McKINNEY, NON COMMISSIONED OFFICERS ASSOCIATION, FY 1987 MILITARY FACILITIES AND FAMILY HOUSING

GEN. BRUCE JACOBS, NATIONAL GUARD ASSOCIATION, GUARD AND RESERVE PROJECTS

WILLIAM TRKJA AND QUENTON J. LARSEN, SCOTSMAN MANUFACTURING CORP., ALTERNATIVE CONSTRUCTION METHODS

Mr. HEFNER. The committee will come to order.

STATEMENT OF THE CHAIRMAN

We are operating under a very tight schedule this morning. We have a meeting of the subcommittee chairmen at 10 o'clock. We had some members scheduled to be first. We are going to do a little changing and try to limit the folks to as close to five minutes as we can.

Scotsman Manufacturing Corporation, if you folks would come up please. Your entire statement will be made part of the record and we have a couple of questions for you. If you would just make your opening statement. We hate to be operating under this restriction, but around here it is a tough time with budgets and Contras and gun control and you name it.

Please proceed.

Statement of Bill Trkja, Chairman and Chief Executive Officer, Scotsman Corp.

Mr. **Trkja**. My name is Bill Trkja. I am Chairman and Chief Executive Officer of Scotsman Corporation, a California based manufacturing and leasing company. Our business is manufacturing commercial modular buildings for sale or lease to industry and the government. I would like to thank everybody for the opportunity to present our view and how we feel the modular commercial construction industry might benefit the people of the United States through assisting those who are working toward decreasing the defense costs. Our participation would be in the area of decreasing military construction costs through the application of more efficient, less costly manufactured construction.

My colleague, Quenton Larson, a retired naval civil engineer, and Scotsman's Director of Construction, will make our presentation.

Mr. **Larsen**. Mr. Chairman, members of the subcommittee, thank you for affording Scotsman the opportunity to represent the modular construction industry before your committee. I would like to give a brief summary of our statement.

Our purpose here today is to explain why, as we manufacturers of modular buildings believe that Congress and the Department of Defense should place more emphasis on alternate construction methods, namely, modular construction using turnkey designed construction contracts.

Our corporation, Scotsman, is very successful in the building of private work one or two story office buildings, dormitories, medical clinics, banks and other buildings. We also are successful bidders on some small contracts for the Armed Forces. These have generally been for leasing of temporary facilities such as offices and child care centers.

We have found, however, that we are prohibited essentially from bidding on this type of work by the Armed Forces because the drawings and specifications that are put out implicitly call for site built construction, thereby excluding modular construction. I would like to be a little more specific about the advantages of turnkey modular construction as opposed to traditional site built construction.

First, the speed, using a traditional site built method, it can take anywhere from 12 to 24 months for construction, on site can take another 10 to 12 months, giving a total time of somewhere between 22 and 36 months. Using the turnkey modular concept, the time for request for proposal and evaluation is three to four months, field construction somewhere between six and nine months, giving a total time of 9 to 13 months as opposed to 22 to 36.

Construction costs are another major consideration. We in general can construct a building anywhere between 10 and 20 percent less expensive than traditional site built builders. There are several reasons for that. One, turnkey modular construction is subject to inflation only over that 9 to 13 month period, and I mentioned rather than 22 to 36 months.

Also, our construction financing is for 6 to 9 months rather than 10 to 20 months.

We also realize savings on design costs. We have done a project, about an $8 million project, which done by traditional method fees on that job, would have been half a million dollars. Our job, including overhead and profit, was only $100, one-fifth of the normal cost.

An advantage, I believe, for the government is it is less risky with our method of turnkey modular construction. You know exactly what you will get and exactly how much it will cost.

Another advantage in the risk area is more accurate planning, programming, budgeting, is possible because the lead time occupancy is much less with turnkey as opposed to the traditional site built model.

Our company, as well as others in the modular construction industry can provide material at relocatable facilities to the Armed Forces at less cost and at reduced time than the site builder under traditional non-turnkey procurement procedures.

The key issue, as we see it, is do the Armed Forces and Congress desire acquisition of facilities much more rapidly at lower cost? We feel, of course, the answer to this must be an unqualified yes. We are here today to ask your assistance in making this happen by influencing military construction appropriations bills to require more barracks and administration buildings and other facilities to be acquired using turnkey contracting permitting modular construction.

Thank you very much.

[The statement of Mr. Trkja follows:]

MARCH 20, 1986

SCOTSMAN MANUFACTURING CORPORATION

CHIEF EXECUTIVE OFFICER, WILLIAM E. TRKJA

DIRECTOR OF CONSTRUCTION, QUENTIN J. LARSEN

I sincerely thank you for affording Scotsman Corporation the opportunity to represent the modular construction industry before your Committee. My purpose here today is to explain why we as manufacturers of modular buildings believe Congress and the Department of Defense should place more emphasis on "Alternative Construction Methods"; namely Modular Construction by U.S. small business firms utilizing turnkey (design and construct) contracting.

Scotsman Corporation has been very successful in bidding private work for permanent one and two-story office buildings, dormitories, medical clinics and banks. We have also been the successful bidder on several contracts for the Armed Forces. These contracts, though, have generally been for the leasing of small temporary facilities such as offices and child care centers.

We have the demonstrated ability to construct large single and multi-story, permanent and relocatable facilities, but we find we are prohibited from bidding on this type of work for the Armed Forces. The reason for this is that the drawings and specifications implicitly call for site-built construction, thereby excluding modular construction.

We recently completed the design and construction of ten two-story dormitory buildings for the U.S. Air Force. These are permanent (but relocatable), non-combustible buildings on concrete foundations with slumpstone and stucco exteriors which we designed for Sesimic Zone IV and which meet all government specifications and building codes. Once the Notice to Proceed for the project was issued, we completed the design, procured all materials, manufactured the modules, transported them to the jobsite, accomplished all sitework and turned over the tenth building in less than ten months. Testimony given before this Committee in February 1985 indicates this would have taken 24-30 months to accomplish under the Armed Forces' traditional contracting procedures. The two main reasons we completed the project so rapidly are (1) modular construction was permitted, and (2) it was a "turnkey" project.

I would now like to get a little more specific about the advantages of turnkey modular construction as opposed to traditional site-built construction.

Speed

A. Traditional Site-Built

A&E Design: 12-24 months per (capt. Dallan's testimony before this Committee in February 1985, it can take 4-8 months to award the A&E contract)

Construction: 10-12 months (with minimal change orders)

Total Time: 22-36 months.

B. Turnkey Modular

RFP and evaluation: 3-4 months

Construction: 6-9 months

Total Time: 9-13 months

Construction Costs

a. Turnkey modular is subject to inflation over 9-13 months rather than 22-36 months.

b. Turnkey modular construction financing is for 6-9 months rather than 10-12 months.

Design Costs

a. On a typical traditional site-built 8-million barracks project, A&E fees would be approximately $1/2 million.

b. On the same project built turnkey modular, Scotsman's fee, including overhead and profit, is $100,000 -- one-fifth of the normal cost.

c. Funds are appropriated for the 35 percent design of many traditional site-built projects. Not all of these projects are built.

d. Design funds for turnkey modular are never spent for projects which are never built.

Life Cycle Costs

Life cycle costs of our modular buildings are less than those of site-built buildings due to:

a. Lower initial costs

b. Our continuous product improvement program

c. Our in-plant quality control program.

Risk

a. With turnkey modular you know exactly what you will get and exactly how much it will cost. There are no bad surprises at bid opening or during construction.

b. More accurate planning, programming and budgeting is possible because the lead time to occupancy is 9-13 months with turnkey modular as opposed to 27-36 months with traditional site-built.

c. Utilizing turnkey modular, change orders are dramatically reduced. The contractor is the designer; therefore, any design errors or omissions are automatically absorbed by the contractor. Change orders are primarily customer requested -- which can be controlled. The contractor is building in his area of expertise. The project is designed by him the way he can built it. It is not designed by an A&E and built by a contractor, who has the expertise to build 90-95 percent of it.

As you can see, Scotsman, as well as others in the modular construction industry can provide permanent and relocatable facilities to the Armed Forces at less cost and in dramatically reduced times than can site builders under the traditional (non-"turnkey") Armed Forces procurement procedures.

The key issue as we see it is: Does the Armed Forces and Congress desire the acquisition of facilities much more rapidly and at lower costs? We feel the answer to this must be an unqualified "Yes." We ask your assistance in making it happen by influencing Military Construction Appropriation bills to require more barracks, administration buildings, etc. be performed using Turnkey Contracting and permitting modular construction.

Mr. HEFNER. Thank you, sir.

In the past, the committee has specified that certain military construction projects be constructed using alternate construction methods. Although a few projects have been accomplished, the military has a strong bias toward traditional construction methods. They say they have to assure a minimum of 25 year life for each structure. Do you have any information on the life of your buildings?

Mr. LARSEN. Yes sir, our permanent buildings are built to be exactly that, permanent. A minimum of 25 years, usually 30 years. I am sure the barracks that we built will have a life expectancy of 50 years. They are very well designed, and will last as long as a conventional site built building.

Mr. HEFNER. How many buildings have you built?

Mr. LARSEN. We have built a total of 27 two story barracks buildings.

Mr. HEFNER. Have you worked with the Corps of Engineers on the selling of your concept and what were the results?

Mr. LARSEN. We have talked to quite a few people in NAVFAC of Engineering Headquarters Marine Corps. The people in general we have talked to have been very impressed by our product, our industry products. What we have run into though is a reluctance on the part of people in that NAFSAC Corps of Engineers to change procurement policies.

I honestly don't know why there is that reluctance. We are having great difficulty. That is one of the reasons that we are in Washington to see people to explain what we can do.

Mr. HEFNER. Mr. Early.

Mr. EARLY. No questions.

Mr. HEFNER. Mr. Rudd.

Mr. RUDD. Yes. What you have to say sounds like the answer to this committee's prayers. You say that these cost ten to 20 percent less than what the—and actually in the neighborhood of half the time to build?

Mr. LARSEN. Yes sir.

Mr. RUDD. And half the time to put all this together in every way. You say that the life expectancy of the barracks and other buildings are about the same as permanent construction?

Mr. LARSEN. Yes sir.

Mr. RUDD. And you said that you could dismantle them, I think is what you said?

Mr. LARSEN. Yes sir.

Mr. RUDD. In other words, they are removable. If you want to pull out we can do that and put them where they are needed?

Mr. LARSEN. Yes. The barracks built can be relocated. As a matter of fact, we just, about two and a half years ago, built a two story building for Southern California Edison at their Diablo Canyon Nuclear Generating Plant. We relocated that building for them about a month and a half ago. It happened to be 500 yards or so but it could have been 3,000 miles.

Mr. RUDD. You are retired Navy?

Mr. LARSEN. Yes sir.

Mr. RUDD. Pretty young for that.

Mr. LARSEN. Thank you, sir.

Mr. **Rudd**. Thank you, Mr. Chairman.

Mr. **Hefner**. He is really older than he looks. Mr. Lowery, do you have some questions?

Mr. **Lowery**. What do you base the life expectancy on?

Mr. **Larsen**. Well, experience as we know it today. We have had quonset huts and that sort of things for years, of course, but the modular buildings that we build are almost state of the art, if you will. We built the first non-business building, two story building—what it is based on is the specifications that we are building to the uniform building code, same specifications that site builders use.

The reason we think our building will last longer is because of our quality control. We have a quality control program. We have very well trained people and most of the construction is done in the plant under very close supervision, specifically 14 inspection stages.

Mr. **Rudd**. What is the specific existence?

Mr. **Larsen**. Well, it is something like 100 years of tradition--we have always done it this other way. We have been successful in going out and getting and competitively bidding a construction contract and I get the feeling that it is just a lot of work to change, to go to the turnkey system.

The specifications for barracks will call for cast in place concrete or masonry walls, which is something you wouldn't do in a plant. It is very specifically designed to be site built. That is why we can't compete. That is why we can't bid.

Mr. **Rudd**. Thank you.

Mr. **Hefner**. Basically all you have to change is the language in the specifications?

Mr. **Larsen**. Yes sir.

Mr. **Hefner**. I want to thank you gentlemen for being with us. Sorry we are under time constraints.

Mr. Fazio.

STATEMENT OF CONGRESSMAN VIC FAZIO

Mr. **Fazio**. Mr. Chairman, thank you for letting me sit in with you a few moments this morning. I always enjoyed serving with you on this committee, I continue to enjoy serving with you on the Budget Committee, so I don't have to tell you or any of the other members of this committee we have very difficult, extensive situation in terms of funding anything in the defense budget, and I am here to make I hope a fairly strong case for a number of projects that I consider very important in my district. But I will certainly understand whatever it is that you have to do to fit within the guidelines that are going to be imposed on us.

This is not a year, I realize, for overreaching efforts to fund major projects, but this committee has been very good to me before when I was a member, and since I am no longer one, and I want to begin by thanking you for everything that you have done to add to the productivity of McClellan, to improve the industrial base there at that facility. And particularly because this is the last year that we will be needing assistance from you for the modern state of the art medical complex at Travis, which hopefully will be completed within the next two years, a major asset for not only the enlisted personnel, but their dependents and the many retirees in northern and central California.

There are four projects in this budget placed by the Air Force and the Department of Defense at McClellan that total $28 million.

1. Depot flight instrument overhaul facility at $9.4 million.

2. Ammunition storage complex and land acquisition effort at $4.3 million, something that this committee added last year, which did not make the authorization conference committee cut.

3. Plans to alter depot warehouse at $9.4 million.

4. A project that I did want to underscore briefly, I know you have asked some questions about it when the Air Force was before you, the regional wastewater connection, $5.8 million.

This was added by both this subcommittee and House Armed Services Committee last year. It did not make the authorization conference committee cut. You put language in the report that accompanied the conference report on the appropriations bill, to direct the Air Force to reprogram this project. I understand they have indicated to you that they think it can be handled in the 1987 fiscal year 1987 budget.

I am not sure that can be done because there is a cease and desist order proposed by the Senate that goes into effect on August of '87. I have a meeting with the Air Force tomorrow to find out whether or not they will be requesting reprogramming in the FY 86. I don't think we ought to violate state laws if we can avoid it even though I know they don't want the closing of McClellan Air Force Base. It is a significant part of our effort to clean up the toxic waste problems at that facility. There are some million gallons a day of wastewater pouring into a creek that really does need to be treated, and that is why I want to underscore that project.

There are two other small projects that are being proposed as add-ons, if possible for McClellan. Let me cite them. One is a $1.3 million fire sprinkler system. It is the kind of thing that gets lost in the shuffle. Department of Defense for six years has not submitted the project, never seems to make the cut at OSD. But to have it approved—so many of these facilities have not put a fire sprinkler system in and it is a little bit foolish, it seems to me.

There is also a request, if it is possible within the available resources of the committee, for an electrical distribution system, improvement modification of $4.1 million. The system there is currently very inadequate, an old one and the demands on it are growing, and we are very, very likely to encounter power outages.

I think those are the kind of maintenance activities that we really do have to think about. It is a little dramatic or perhaps important to the defense part, but it is very important for the base.

At Travis I mentioned we are in the final stages of David Grant Memorial Medical Center. I want to thank you and hope that you will approve that budget request.

There are several other facilities that are budgeted at Travis. As you know, this is Military Airlift Command's major Pacific entry and exit point. The satellite communications ground terminal at $1.9 million, aircraft maintenance hangar at $1.6 million and physical fitness center at $4.7 million.

A project that cost $6.5 this committee did include last year, but which dropped in the Senate, it is a weapon system maintenance management support facility. I just wanted to highlight a few problems that they have in this particular case. This is a building that is 40 years old, it is being held together by glue and wire. They have alarms in the building so if the wind in this area—they do get rather high—reach a certain point, everybody would be required to evacuate the building because of the potential safety hazard. They expect it to blow over one of these days.

If anybody on the Senate committee had seen the building, I am not sure that they would have opposed the inclusion of it in the final conference. I do want to underscore—I have been in it, I didn't want to stay there very long, I left as soon as I could—but it is a travesty that we have buildings like this in our military command structure today.

I just want to conclude by saying Bob Matsui will be with you eventually today. I want to support his request for the Sacramento Army Depot at Mather Air Force Base, which is in his district. He and I have constituents who we share in terms of interest in these three facilities in Sacramento.

I also want to put in a word for Beale Air Force Base and Mare Island. I used to represent those two areas. Some people tell me I might again. Mrs. Boxer has a particular interest in the engineering facility at Mare Island and I have a number of constituents who work there.

So with that, let me reiterate my appreciation for your past support and ask that my full comments be inserted in the record at this time.

[The statement of Representative Fazio follows:]

CONGRESSMAN VIC FAZIO
TESTIMONY BEFORE THE
SUBCOMMITTEE ON MILITARY CONSTRUCTION
OF THE HOUSE APPROPRIATIONS COMMITTEE
MARCH 20, 1986

Mr. Chairman, Members of the Subcommittee, it is a pleasure to be back before you today to talk about the military construction needs for the bases in and around my Congressional district. During the seven years that I have served in the House of Representatives, this Subcommittee has been extremely supportive of my annual requests for mil con projects. It has been your assistance which has brought about the modernization of the industrial base at McClellan AFB which has lead to increased productivity levels; it has been your help which has improved the quality of life at Travis AFB for the men and women serving at these installations, their dependents and the retirees who need adequate health care facilities and decent housing; and it has been your support for protecting the public health and environment which has enabled the bases in this region to move forward on the clean-up of toxic contamination.

Those who work on these bases, those who reside near these bases, and those who benefit from enhanced national security and those who derive economic benefits from the bases owe this Subcommittee a great deal. On behalf of these individuals, I would like to express our gratitude.

This year, of course, the deficit problem will require enormous cuts in spending. I know that many worthwhile and needed projects will not be approved. Given this situation, I am aware that every project that is funded must pass very stringent tests. Thus, I feel that even more than before it is necessary for me to justify the need for the projects at the bases in and around California's Fourth Congressional District.

As you know Mr. Chairman, McClellan AFB and Travis are located in my district. Mather AFB, Beale AFB, the Sacramento Army Depot and Mare Island NSY are in districts contiguous to mine. Many of my constituents work on these installations. Further, these bases have an enormous effect on the economy of the entire region. For these reasons I will address the needs of each of these facilities.

McClellan AFB:

This year, the Air Force has requested a total of $28.9 million for four projects, all of which meet the 35 percent design level.

1) Depot Flight Instrument Overhaul Facility -- $9.4 million. The name of the project is self-explanatory. McClellan is the Air Logistics Center which is responsible for all Air Force aircraft flight instruments and many components used by the Army and Navy.

   These functions are currently being performed in two pre-WWII facilities that are inadequate to support the mission. They are poorly configured, lack environmental controls and do not provide adequate security. The lack of adequate space coupled with dispersed operation in two facilities contributes to excessive flow days in the processing of instruments through the ALC.

This new building will consolidate operations which include disassembly maintenance, overhaul, repair and testing of flight instruments. It will also accomodate the new state-of-the-art processing equipment.

2) Ammunition Storage Complex/Land Acquisition -- $4.3 million. Last year, this Subcommittee and the House Armed Services Committee approved this project as an add-on; however, due to the necessity of reducing the total Military Construction budget, this project was cut during authorizing conference. This year this project has been submitted in the President's budget.

This project requires the purchase of 35 acres of land and the construction of an ammunition storage complex. This project is required to provide adequately sized and properly configured facilities for storage of ammunition, explosives and pyrotechnics. The facility requires a minimum clear distance of 1,250 feet to inhabited buildings. Depot activities require storage of items such as rocket motors, ejection seat actuators, small arms and Gatling gun rounds, flares, and a variety of other explosives and pyrotechnics totaling up to 131,600 pounds net explosive weight (NEW). Storage support must be provided for 35 base, tenant, and off-base governmental activities.

The location of the present munitions storage complex limits storage capacity and land use. The amount and kind of explosive that can be stored are limited by quantity/distance criteria because of the many facilities surrounding the complex. The complex cannot store more than 2/3 of its requirement for Class/Division 1.1 explosives for EOD operations. No other site within 40 miles can store the remainder of the requirement, so it must be transported to Beale AFB at three hours travel time per trip. Some Air Force unit operations cannot be supported due to inability to store large amounts of explosives. The 40-year old facilities are in need of extensive repair, and numerous security deficiencies exist. Even if upgraded, the problems of limited storage capacity and land use would remain at the present site. No area exists on base which would satisfy existing and projected explosive storage requirements, nor is it possible to modify the present area. Explosive storage in its present location has sterilized valuable surrounding land and prevented construction for other needed facilities such as engine run-up and aircraft paint facility and hush houses for engine testing. Proposed project will permit disposal of 12 WWII buildings.

3) Add to and Alter Depot Warehouse -- $9.4 million. Facilities of adequate size and configuration are required to provide covered and secure storage of supplies and equipment used to support depot level operations. Functions to be accommodated include receiving, storing, securing and issuing supply assets including electronic and aircraft engine parts.

There is a significant shortage of adequate depot warehouse space at McClellan. Facilities are saturated, resulting in spill-over storage in aisles and outdoor open storage areas, increasing the risk of fire and weather damage. These overcrowded conditions are the result of steadily increasing numbers of line items and the quantities for each line item being stored. In addition, over one-third of the existing warehouse space is substandard. This space does not have sufficient stacking headroom or room to accommodate moderate mechanized material handling equipment. The lack of adequate space coupled with the forced use of open storage contribute to overall inefficient warehouse operations and premature deterioration of stored materials. This project will relieve overcrowding and allow items to be moved from the open storage areas.

4) Regional Wastewater Connection -- $5.8 million. This project was approved as an add-on last year by both this Subcommittee and the House Military Installations and Facilities Subcommittee. It did not make the cut in the Authorization Conference. However, this Subcommittee added language in the FY 86 Military Construction Appropriations bill directing the Air Force to seek a reprogramming on this project. To date the Air Force has not submitted such, but I will be meeting with the appropriate Air Force officials this week to encourage them in this regard. If we run into problems, I would feel more comfortable if this Subcommittee would retain this project in your mark-up in order to ensure its funding.

This funding is critical. To provide this Subcommittee with a little background, let me say that this project is needed to stop the discharge of one million gallons per day of tertiary treated and filtered wastewater into Magpie Creek, a tributary and drainage canal to the Sacramento River.

A wastewater treatment plant that was completed in 1982 proved to be totally inadequate. The California Regional Water Quality Control Board issued a "cease and desist" order that must be complied with by August, 1987. McClellan will use the requested funds to construct a trunk line connecting the base with the Sacramento Regional System, which is adequate to process McClellan's raw domestic wastewater and treated industrial wastewater. This will thereby eliminate the need to discharge wastewater into Magpie Creek.

As each of you are aware, McClellan was one of the first Air Force bases to be identified as having a significant problem from toxic waste contamination. The Air Force has made steady progress in addressing this problem and cleaning up the sites that are polluting the groundwater.

Construction of the Wastewater Treatment Connection is one small, but essential, part of the correcting the broader problem.

Mr. Chairman, the above four projects were in the President's budget submission. I am fully aware that this year is not the time to ask for add-ons. As a member of both the House Appropriations and Budget Committees, like you Mr. Chairman, I am daily grappling with the requirement to make cuts in order to meet the $144 billion deficit reduction target.

However, in the event that your Subcommittee has any flexibility with regard to funding other projects, I would at least like to make a request for two very worthwhile and desperately needed projects for McClellan. The first is to alter the existing electrical distribution system.

1) Electrical Distribution System -- $4.1 million. Adequate power must be provided to serve increasing development on the west side of the base. A basewide power distribution loop is required for system reliability and serve to the new development. Present Bell Avenue switch station

receives 12KV commercial power from off-base as one of two major switch stations serving McClellan AFB. The station is 30 years old and cannot be expanded from present configuration. Electrical demands from new construction programmed on the west side of base will exceed switch station capacity by 1987. Majority of electrical distribution on west side is single -- direction feed with no loop for reliability. Major load centers lack interconnection which precludes supply by alternate sources of power to mission-critical loads in power-outage situation. Major switch stations cannot feed power to each other due to undersized conductors or absence of a loop. Maintenance and repair of distribution cables often requires extended power outages to multiple facilities due to one-direction feed, and results in costly demand charges when a third commercial off-base substation must be used.

Power needs of new facility development will not be met, which will result in overloading, outages and a limiting factor on production. Without improvements to distribution system for looped feed, alternate power sources cannot feed critical load centers of the base's industrial mission.

2) Fire Sprinkler System -- $1.3 million. This second project is a safety item. For the past six years, McClellan has tried to get a fire sprinkler system approved. This project consists of a wet sprinkler and alarm system for over 1 million square feet of floor space in three separate buildings. I know that this Subcommittee is aware of the tragic fire at Tinker AFB a year and a half ago. It would seem to me that there is a real need to ensure that our employees and the facilities we build which allow the Services to perform their missions should have adequate protection from fires. A continuing Air Force program is needed to correct fire, safety and health deficiencies/hazards to ensure a safe working environment and protect valuable resources. Air Force facilities were built to comply with standards in effect at the time of construction. As standards become more stringent, existing provision become inadequate. Installation or modification of fire suppression and alarms systems is required to comply with National Fire Protection Association (NFPA) codes and standards.

Currently, two facilities with systems needing modification are a warehouse and an office complex. Fire occurring in these facilities could develop faster than the present fire protection systems are capable of controlling. The warehouse, containing over $700 million worth of defense items, has inadequate, undersized piping for workable flow through the sprinkler heads. The office complex, containing 1200 workers, is only protected above an insulated suspended ceiling with sprinklers. The third building, an aircraft repair hangar, has no fire protection for its 60 workers and $80 million in aircraft under repair.

• Travis AFB:

Over 10,000 Air Force men and women live and/or work at this base. More than 2,000 civilian employees earn their living here. And tens of thousands of retired military and their dependents use the facilities at Travis. This installation is an integral part of the community life in and around Fairfield and Vacaville, CA. I urge the Subcommittee to support the items that are proposed in this year's DoD budget submission.

1) David Grant Memorial Hospital -- $87 million. This $206 million medical complex has been authorized. This year's request for $87 million is for the fourth and final phase of construction, and represents the amount of monies that are needed for Fiscal Year 1987.

Two years ago, we broke ground on this deperately needed facility. The existing hospital is over 37 years old and becoming functionally obsolete. The new 298 bed hospital is designed so that is can, within the new structure, accomodate up to 555 beds. It will have a 52 room dental clinic; and aeromedical staging facility; a hyperbaric chamber; nursing units, etc. 53 percent of the space and 31 percent of the costs and for items not found in the civilian hospitals.

Over 70,000 individuals are eligible to use this facility. The retiree population in this area is rapidly increasing, thus placing additional burdens on the medical delivery system. I urge this Subcommittee to continue the support it has given to this hospital the past three years FY 84 -- $5 million; FY 85 -- $30 million; and FY 86 -- $78 million, by approving the FY 87 request.

2) Satellite Communication Ground Terminal -- $1.9 million. Properly sized and configured facilities are required to house a Defense Satellite Communications System (DSCS) ground terminal. The DSCS provides long distance communications with a Jam Resistant Secure Communication (JRSC) system to support critical command, control, intelligence and warning activities, and special users such as the President. The DSCS is an important component in the worldwide Defense Communications System and must be able to provide rapid and reliable service. This terminal will be an essential link in the Military Airlift Command's command and control system, providing connectivity with the National Command Authorities and with MAC's resources worldwide. It will handle traffic in both voice and data modes.

Currently, there is no DSCS terminal for this site. Existing long distance communication links to MAC are now routed through land links with limited capacity to distant satellite ground terminals. These circuits do not provide essential jam resistant features. A high degree of efficiency in the DSCS system is important to maintain communication contact with their airlift, aeromedical airlift and air rescue forces worldwide. This project will provide a properly equipped ground terminal to support MAC operational requirements through the DSCS. This DSCS ground terminal will provide a communication link to support essential command and control functions.

3) Alter Aircraft Maintenance Hangar -- $1.6 million. An adequate facility is needed for the fabrication or repair of fiberglass components for C-5 and C-141 aircraft and the bonding to adjoining metals. Due to the volatile nature of chemicals and compounds used in the production of fiberglass, the safety of facilities and personnel demands strict environmental control.

The existing fiberglass bonding shop occupies 3,000 SF in a 33-year-old wood frame, high resource consuming building that provides less than 15 percent of the required area and lacks the required environmental controls to meet OSHA and EPA standards for fiberglass construction.

When weather permits, larger parts of high priority work are moved outside for fabrication in a restricted area. Most fiberglass component work is contracted to commercial firms that historically have long lead times to fabricate fiberglass components causing excessive delays in aircraft out-of-commission time. This project will provide an adequate facility to provide fiberglass components for all aircraft of the 22nd Air Force. The 3,000 SF area will be retained for storage of bulk materials.

4) Weapons Systems Maintenance Management and Support Facility -- $6.5 million. Mr. Chairman, last year this item was included in the President's budget submission, and was approved by the House and Senate Authorizing Committees and the House Appropriations Committee. While it was authorized, the Senate Subcommittee on Military Construction Appropriations failed to approve this project. I feel sure that the reason this occurred was due to a lack of understanding of some of the Senators as to the critical need for this project. The forty-year-old substandard, deteriorating, wooden facility is practically held together by strings and glue. It actually requires steel poles to hold up the roof.

There are a series of alarms which sound when the wind is too strong so occupants of the building can vacate it. This is a necessary precaution which is taken because of concern that the structure could collapse in whole or in part. Further, the recent storms which caused flooding and high winds in California this winter did a lot of damage to this building.

It is an outrage that structures such as this one are still being used on our bases.

This Subcommittee did its job by approving this project last year. I urge you to do so again, and to hold firm in conference on this project.

Below is a description of the project, and I even have photographs of the current facility which show the critical need for this building. I will make these available to you if you so desire.

And adequate facility is required for management support of the base aircraft maintenance program. It includes maintenance control; plans, scheduling and documentation; material control, quality control, records and analysis; chief of maintenance and administrative staff. Processing all aircraft sub-assemblies and managing all weapon systems, including assignment of work schedules priorities and personnel utilization will be managed from this facility.

This function now occupies portions of three substandard, inadequate wood hangars built in 1944. They are located in a high noise area near the flight line and heating, ventilation and a electrical systems are nonexistent or in a deteriorated state requiring replacement. Lack of insulation and sound attenuation causes an adverse impact on the health, welfare and morale of assigned personnel. Because of age and advanced structural deterioration, these facilities cannot be upgraded. One of the hangars suffered a major truss failure in 1980 and further, such failures endanger the building occupants. Some functions requiring collocation are split in separate facilities, creating loss of coordination, control and time. Two of the three facilities, one of which is in the way of construction, will be demolished as a result of this project.

5) Physical Fitness Center -- $4.7 million. Adequate space, properly sized and configured, is required in which physical fitness and indoor recreation activities can be provided for assigned personnel at this base. Functional and adequately sized gymnasiums are an essential part of the living and working environment of personnel on an Air Force base. Physical well-being and good morale, resulting in part from facilities providing for exercise, team and individual sports, are essential to the development and retention of personnel.

   Two substandard, gymnasium facilities are now in use. The main gymnasium contains one game court for basketball, volleyball and badminton. This court is used for male and female intramurals in these sports, all in season at the same time. This greatly restricts the scope of these programs. The health center is in an isolated area with no direct access to any lockers, latrines or showers. These can only be reached by use of an outside, covered walkway. Lack of separate lockers, shower and latrine areas in the facility precluded concurrent use by men and women. With these limitations and an obsolete hot water/heating system, this facility cannot support the demands for physical activities. It will be retained and upgraded by a future operational maintenance (O&M) project for continued use to complement the proposed new gymnasium. The second facility is a 28 year old, converted wooden theatre with one small basketball court, no showers for women and limited space for physical conditioning equipment. It will be disposed of upon completion of this project.

All of these projects are in the President's budget submission and meet the 35 percent design level.

Mr. Chairman, as I said at the start of my remarks, I wanted to speak in support of several military bases which lie outside of the boundary lines of the Fourth Congressional District.

Mather AFB:

1) The Accounting and Finance Facility -- $1.5 million. This project was approved by this Subcommittee last year; however, it did not make the authorization conference cut.

2) T-9 Noise Suppressor -- $740,000.

Sacramento Army Depot:

This base does not have any projects listed in the President's budget; however, last year, as an add-on, this Subcommittee approved $1.9 million for a Communications and Radar Facility. This project is needed to enhance the capabilities and productivity of the work done by the depot in the repair and maintenance of communications and radar equipment. Your help again this year would be greatly appreciated.

Mr. Chairman, I would also urge that this Subcommittee approve the President's budget submission for Mare Island Naval Shipyard and Beale AFB.

Mare Island Naval Shipyard:

1) An Alteration to the Religious Education Building -- $470,000.

Beale AFB:

1) KC 135-Cockpit Procedures Trainer Simulator Facilities -- $890,000

2) Security Improvements -- $400,000

3) T9-Noise Supressor Support Facility -- $710,000

4) TR1-Aircraft Shelter/Apron -- $4 million

5) U2R-Apron and Shelters -- $2.54 million

6) U2R-Shelters and Apron -- $967,000

I know you have a very difficult task ahead of you in balancing the needs of the Services against the requirement ot reduce spending. I also know, that in doing so, you will have to consider each and every item in the DoD budget proposal and that many projects that are justified will have to be cut. I wish you the best in deliberations, and I thank you for allowing me to make my case for those projects which I believe are important to proceed with.

Mr. **Hefner**. Thank you, Vic. Thank you for your statement. The committee will be looking again this year to cut items of low operational utility. The gymnasium project at Travis AFB has funds for a 1000 seat basketball arena, which we think is a bit excessive. Would you be amenable to a slight adjustment in the funds provided for this project?

Mr. **Fazio**. Certainly I think the whole idea of a physical fitness center is to give exercise to our enlisted personnel and watching basketball doesn't amount to a lot of exercise, particularly if the game isn't very exciting.

Mr. **Hefner**. Especially if you are losing.

Mr. **Fazio**. We have plenty of interest up the road about 30 miles in Sacramento, the Kings this year who have fought their way out of last place in their division. Perhaps we don't need to be providing too many other opportunities to observe in the region. I would be happy to talk to the Air Force and see if we can——

Mr. **Hefner**. That would really be a great help to us.

Thank you very much.

Mr. **Fazio**. Thank you, Mr. Hefner. I appreciate your pointed comments.

Thank you all.

Mr. **Hefner**. Mr. Roemer. Congressman Roemer.

STATEMENT OF CONGRESSMAN BUDDY ROEMER

Mr. **Roemer**. I want to thank the subcommittee for allowing me to appear, I appreciate it. I don't come with a long list, I never do. I have one item that I would like to talk about.

I represent northeast Louisiana. Leesville, Louisiana is the home of the largest military installation in my state—Fort Polk. Fort Polk is one of the top combat readiness installations in the country and has been recognized as such by being one of the locations under consideration for the new home for the School of Americas. It is also home for more than 15,000 soldiers and 20,000 military dependents.

Today I come before you on behalf of the soldiers at Fort Polk, but more specifically, on behalf of their families. We have a problem at Fort Polk, a problem that most of you are aware of, children are being educated in World War II barracks that serve as classrooms for North Fort Polk Elementary School.

Fort Polk Elementary School is composed of two campuses, North Polk and South Polk. The south campus is a modern school that houses second, third and fourth grade children. The north campus is comprised of one large metal building and seven wooden frame buildings built during World War II for barracks. Both of these campuses are located on the installation and serve only military dependents. There are a number of conditions that exist that make it imperative to replace the North Polk Campus:

1. Safety factor. The buildings have deteriorated beyond repair. These structures were originally built during World War II as temporary barracks. The Fire Marshal has reported that in a fire the barracks would be engulfed in flames within 18 seconds. One of the buildings housing a kindergarten class was condemned for occupancy in 1985 after the foundation left the superstructure.

2. Heating and cooling. The buildings are not insulated, ventilation is poor and there is no air conditioning. The large metal building houses eight classrooms in an open area that is sectioned off by eye level dividers. The wooden buildings are resting on piers two to three feet off the ground. The accumulation of water during the rainy and winter seasons make the rooms drafty and the floors damp.

3. Administrative difficulty. The administrative team composed of a principal, assistant principal and curriculum director must supervise the two campuses that are over seven miles apart. Added to this problem is the spread out situation at the north campus—the buildings are scattered over five blocks. This distance would hamper assistance in the case of an emergency and results in isolation of teachers and children.

4. Learning environment. Although the local educational agency has spent thousands of dollars attempting to renovate the north campus, these structures are substandard in comparison to educational facilities in the state and on other military installations.

5. Busing to alternative school. The local school system, Vernon Parish, is already struggling with overcrowding in their elementary schools. The Vernon Parish School Board's annual report states that there are as many as 45 students per teacher in some classes. The recommended number of student/teacher ratio is 22 to 1.

Last week I testified on this issue before the Armed Services Subcommittee on Military Installations and Facilities. The subcommittee members agreed that something needs to be done, as does everybody who goes to Louisiana to visit the facility.

As a result of the testimony and my conversations with the Secretary of the Army, Jack Marsh, a representative from the Pentagon was sent to Fort Polk for a site visit and asked to report back to the Armed Services Committee. That visit was made last week, Mr. Chairman, but none of this assures that we will get the kind of assistance that we need.

That is why I am here today to ask your assistance in remedying this deplorable situation at North Polk Elementary School. The most economically feasible, administratively sound proposal is to build an addition onto the south campus building. Preliminary plans include a two story structure with 32 classrooms on a 20 acre plot. According to architectural estimates, renovations to the south campus will cost about $3.5 million.

There is another alternative that can be considered—building new barracks to replace the ones now leased by the Vernon Parish School Board. This would provide adequate accommodations for the children on the north campus and provide Fort Polk with additional housing in case of a national emergency.

Fort Polk is one of the most viable military training bases in the country and as such its military and dependent population will continue to grow. The problems of structurally inadequate educational facilities and student overcrowding at Fort Polk Elementary School will only become more severe. In fact, I received confirmation yesterday that in August, Fort Polk will become the permanent site for another 190 soldiers and their families.

The image portrayed by the physical plant at the north campus is not in tune with the projected image of the modern army at Fort

Polk. Additionally, the Department of Defense has a responsibility to the young soldier/parent at Fort. Polk. They are forced to place their child in dilapidated structures, a situation we in Congress would not tolerate for our own children.

Thank you, Mr. Chairman.

[Mr. Roemer's statement follows:]

STATEMENT BY CONGRESSMAN BUDDY ROEMER

on

FORT POLK ELEMENTARY SCHOOL

BEFORE THE APPROPRIATIONS SUBCOMMITTEE ON MILITARY CONSTRUCTION

FY 1987 MILITARY CONSTRUCTION APPROPRIATIONS

MARCH 20, 1986

MR. CHAIRMAN and Members of the subcommittee, I would like to thank you for allowing me to participate in the hearings on the FY 1987 military construction budget.

As you may know, Leesville, Louisiana, is the home of the largest military installation in my state -- Fort Polk. Fort Polk is one of the top combat readiness installations in the country and has been recognized as such by being one of the locations under consideration for the new home for the School of Americas. It is also home for more than 15,000 soldiers and 20,000 military dependents.

Today I come before you on behalf of the soldiers at Fort Polk, but more specifically, on behalf of their families. We have a problem at Fort Polk. A problem that most of you are aware of -- children being educated in World War II barracks that serve as classrooms for North Fort Polk Elementary School.

Fort Polk Elementary School is composed of two campuses, North Polk and South Polk. The South Campus is a modern school that houses 2nd, 3rd, and 4th grade children. The North Campus is comprised of one large metal building and seven wooden frame buildings built during World War II for barracks. There are 744 kindergarten, pre-school and 1st grade children on this campus. Both of these campuses are located on the installation and serve only military dependents.

There are a number of conditions that exist that make it imperative to replace the North Polk Campus:

1. SAFETY FACTOR - the buildings have deteriorated beyond repair. These structures were originally built during World War II as temporary barracks. The Fire Marshal has reported that in a fire the barracks would be engulfed in flames within 18 seconds. One of the buildings housing a kindergarten class was condemned for occupancy in 1985 after the foundation left the superstructure.

2. HEATING AND COOLING - the buildings are not insulated, ventilation is poor and there is no air conditioning. The large metal building houses eight classrooms in an open area that is sectioned off by eye level dividers. The wooden buildings are resting on piers two to

three feet off the ground. The accummulation of water during the rainy and winter seasons make the rooms drafty and the floors damp.

3. ADMINISTRATIVE DIFFICULTY - the Administrative team composed of a principal, assistant principal and curriculum director must supervise the two campuses that are over seven miles apart. Added to this problem is the spead-out situation at the North Campus -- the buildings are scattered over 5 blocks. This distance would hamper assistance in the case of an emergency and results in isolation of teachers and children.

4. LEARNING ENVIRONMENT - although the local educational agency has spent thousands of dollars attempting to renovate the North campus these structures are sub-standard in comparison to educational facilities in the state and on other military installations.

5. BUSING TO ALTERNATIVE SCHOOL - the local school system, Vernon Parish, is already struggling with overcrowding in their elementary schools. The Vernon Parish School Board's annual report states that there are as many as 45 students per teacher in some classes. The recommended number of student/teacher ratio is 22:1.

I am here today to ask your assistance in remedying this deplorable situation at North Fort Polk Elementary School. The most economically feasible, administratively sound proposal is to build an addition onto the South Campus building. Preliminary plans include a two-story structure with 32 classrooms on a 20-acre plot. According to architectural estimates, renovations to the South Campus will cost about $3.5 million.

There is another alternative that can be considered — building new barracks to replace the ones now leased by the Vernon Parish School Board. This would provide adequate accomodations for the children on the North campus and provide the Fort Polk with additional housing in case of a national emergency.

Fort Polk is one of the most viable military training bases in the country, and as such its military and dependent population will continue to grow. The problems of structurally inadequate educational facilities and student overcrowding at Fort Polk Elementary School will only become more severe. In fact, I received confirmation yesterday that in August, Fort Polk will become the permanent site for another 190 soldiers and their families.

The image portrayed by the physical plant at the North Campus is not in tune with the projected image of the modern army at Fort Polk. Additionally, the Department of Defense has a responsibility to the young soldier/parent at Fort Polk. They are forced to place their child in dilapidated structures -- a situation we in Congress would not tolerate for our own children.

Mr. Hefner. We just recently okayed an 801 leasing project for Fort Polk, which was one of the very few that came in at a realistic number. Where do you stand with the authorizing committee on this?

Mr. Roemer. Let me respond if I could.

Mr. Hefner. Okay.

Mr. Roemer. I have for some months been working with the authorization committee. I gave formal testimony about ten days back before this committee. Unfortunately, their attendance was less than our own this morning. I had three members of the committee there. They are committed to do something. I am now going one by one to the other members, showing them the pictures, making my case. There is more work for me to do. I am willing to do it. I have been trying for more than a year, and I won't quit on it.

Let me tell you specifically what they did They directed the Secretary of the Army to look into the matter. The Secretary of the Army sent one of his assistants—Mr. Owens to Fort Polk a week ago, and is to report this week or next as to what the Army feels.

Mr. Hefner. I think the problem that we have got is this is not a section 6.

Mr. Roemer. It is not, it is a section 5.

Mr. Hefner. I can tell you that this is a very responsible committee here, speaking for myself. If you can ever manage to get the authorizing group together, from their busy schedule, I for one, will do everything we can to get the money for you.

Mr. Roemer. Thank you. I know that is my responsibility.

Mr. Hefner. This is a disgrace when we are doing so many things in other areas. I understand the problem, it is not a section 6 school.

Mr. Roemer. I hear talk about a thousand seat basketball court and——

Mr. Hefner. The money is supposed to take care of situations like that.

Mr. Roemer. It needs help.

Mr. Hefner. If there is $5 million, that doesn't go very far.

Thank you.

Mr. Lowery. Mr. Chairman, would a modular type construction demonstration project possibly be in order?

Mr. Roemer. We are open to any innovative ideas that takes the kids out of 18 sectioned fire straps. I am not asking you to do it my way. I am asking you to do it some way.

Mr. Edwards. I totally agree with the chairman. You can't ask people to serve in the military and have their children in this kind of situation. We have held the line fairly well against appropriating when there wasn't an authorization, but I am very supportive of this. I think it is a very reasonable request.

Mr. Roemer. I would like to make a comment as to the people in the region. They are poor, decent——

Mr. Hefner. I have been there.

Mr. Roemer. That is where I am from. Piney Woods. Good people. They have raised taxes three times in seven years to support public education. They have gone to the limit. Every study shows they can't go any more. This is on a military base for military dependents. By God, they ought to help them.

Mr. Lowery. It is our responsibility.

Mr. Rudd. A good case.

Mr. Hefner. Thank you.

Mr. Kolbe.

Mr. Kolbe. Thank you, Mr. Chairman.

Mr. Hefner. Your entire statement will be made a part of the record.

Statement of Congressman Jim Kolbe

Mr. Kolbe. I appreciate the opportunity to appear before the subcommittee today on behalf of a request for $9.89 million for the Joint Tactical Control and Communications Agency communications test facility at Fort Huachuca, which is located in my district.

I think as a result of the Grenada operations the military has given a great deal more attention to the problems of interoperability of its C-3—that is communications, command and control systems—and they have very recently, just in the last few months, with an additional directive, have been directed to include tactical coordination with intelligence systems in their interoperability requirements.

They are badly in need of a joint test facility both for administrative purposes and for additional test bed site. There are currently two facilities, one at Fort Hauchuca and one at Test Bed I at Fort Monmouth, New Jersey. There are plans for Navy to have one test bed site in San Diego. This, however, placing this one at Fort Huachuca, will in the long run have a substantial operating savings for the military. In fact, $5.6 million per year will be saved, beginning in 1991 when the facility is completed and completely operable. So in a sense, it would be amortized over a space of two years. So I think one can see it is a very advantageous facility.

The reason for Fort Huachuca is very plain. Fort Huachuca happens to have a very clear electromagnetic environment, very clean. None of the others do have that. There is adequate ground and air maneuver space. They have just recently completed the 12,000 foot runway there at Fort Huachuca, which will allow them to readily deploy tactical C-3 equipment when there is a need for interface testing and it will consolidate at Fort Huachuca and place it with existing major Army Test Center. So there are all the other support facilities there that are not available in other places.

With that, Mr. Chairman, I would close and invite any questions that you might have.

[The statement of Representative Kolbe follows:]

STATEMENT FOR THE RECORD BY CONGRESSMAN JIM KOLBE

Mr. Chairman and Members of the Committee, thank you for allowing me the opportunity to express my support for the $9.89 million request of a Joint Tactical Command, Control and Communications Agency (Joint Agency) Communications Test Facility at Fort Huachuca. This facility will provide our armed services with a centralized, cost-efficient means for testing Communications and Command and Control (C3) systems.

Recently, there has been a great deal of attention given to the problem of C3 systems from the different services not being compatible for the exchange of information. Congress has recognized the need to consolidate these systems. Last March, for example, Senators Barry Goldwater and Sam Nunn of the Senate Armed Services Committee conducted hearings on this issue, and the public was made more aware of some of the serious communications, command and control problems our forces encountered in Grenada.

A major responsibility of the Joint Agency is to identify, through testing, and rectify the kind of C3 problems we faced in Grenada. The Joint Agency is directed to "ensure joint and combined tactical C3 interoperability." This responsibility was formally expanded on October 9, 1985 as a part of updating Department of Defense Directive 4630.5, "Compatibility and Interoperability of Tactical Command, Control, Communications and Intelligence Systems" to include tactical coordination with intelligence systems.

Consolidation of C3 testing will save the United States government $5.6 million each year. There are now two permanent test sites -- one at Fort Huachuca, Arizona and one at Fort Monmouth, New Jersey -- and there are plans for a third test site at the Naval Ocean Systems Center in San Diego, California. Continued inter-service testing at separate test sites would be a less effective and efficient method from an end-to-end systems and network perspective. Also, the projected testing and certification workload for three separate growing test sites would result in increases in manpower requirements, operations and maintenance (O & M) and contracting costs than would a single test site.

Of the three locations, clearly Fort Huachuca is the best for the consolidation in a Joint Tactical Command, Control and Communications Test Center. Fort Huachuca has the larger capital investment of the two current sites and it has extensive acreage to accomodate and allow expansion of the Joint Agency. The cost of constructing this facility will be less at Fort Huachuca than at the other two sites. Also, Fort Huachuca has a clean radio frequency atmosphere so there will be only minimal interference with commercial radio frequencies. Having the Joint Agency consolidated at Fort Huachuca will place it with an existing major Army test center. This will allow the joint testing center to take advantage of the extensive services and facilities available at Fort Huachuc . Finally, the cost-of-living for the 495 Joint Agency employees will be considerably less at Fort Huachuca than Fort Monmouth or San Diego.

Mr. Chairman, I urge the Committee to support the military construction project establishing the Joint Tactical Command, Control and Communications Test Center at Fort Huachuca. The Department of Defense and Congress have demonstrated a strong commitment to consolidation of C3 testing, and having such a facility at Fort Huachuca is clearly in the best interest of the Joint Tactical Command, Control and Communications Agency and is imperative to carrying out their mission.

Mr. **Hefner**. Thank you.

Any questions?

Mr. **Rudd**. I am very pleased to welcome my colleague here to this committee, and I am familiar with this problem, and it makes sense, including the fact that it is probably the best site that we could choose for some of the things you have outlined for that purpose.

I thank you.

Mr. **Kolbe**. I appreciate my colleague's comment. I think I met yesterday with the Army people on this and they have looked very carefully at three different sites that might be considered. Fort Monmouth is not acceptable simply because they are a tenant there. They can't have a permanent location. As for San Diego, the Navy wants the facility back in 1991, so it doesn't lend itself to this for the other reasons I already cited. Fort Huachuca is the clear place to locate this facility.

Mr. **Lowery**. Where is the site in San Diego?

Mr. **Kolbe**. I think it is at Point Loma Naval Ocean Systems Center.

Mr. **Lowery**. Point Loma. What is the Department of Defense status?

Mr. **Kolbe**. It is in the budget for this year.

Mr. **Lowery**. For Fort Huachuca?

Mr. **Kolbe**. Yes sir.

Mr. **Lowery**. So you want to ratify the——

Mr. **Kolbe**. Ratifying what?

Mr. **Lowery**. Emphasis.

Mr. **Kolbe**. No indication that it would. We submitted our testimony to the Installations Subcommittee. It was accepted.

Mr. **Lowery**. Thank you.

Mr. **Hefner**. Thank you.

Congressman Bill Dickinson from the great State of Alabama.

STATEMENT OF CONGRESSMAN BILL DICKINSON

Mr. **Dickinson**. There are two or three things I mentioned—I do appreciate the opportunity of appearing before you and before I get into my testimony, which I will present for the record, and just synopsize, if I might, let me say that, as you know, I serve on the Military Construction Appropriations Subcommittee of Armed Services Committee and Mr. Roemer has a problem and I think we are going to address it. I wouldn't say we put it after Mrs. Boxer, a staunch supporter of defense, who is going to come in and testify later, but I think he is right, I would hope that you would help him, too.

Mr. **Hefner**. I can assure you, Mr. Dickinson, that the ball is in your court. If it gets over here it will get done.

Mr. **Dickinson**. We are doing to deal with that.

Mr. **Hefner**. You are preaching to the choir here.

Mr. **Dickinson**. Mr. Bevill has a very real interest in this committee as a member of the delegation from Alabama, and as I do, on three armories which I think are justified and which are in my prepared statement.

We also have a facility at Maxwell Air Force Base, which I think last year was deleted because it was considered a recreational facility. When you get these young officers the Squadron Officers School, there is a percentage of their curriculum that is dedicated and required for athletic activities, as all Services do—regardless of whether it is an officer or enlisted—and I think this is justified and I will certainly be in support of this.

There is another item that was authorized last year but was not appropriated basically because of the Army's lack of support, and that has to do with $2.5 matching funds for the Aviation Museum at Fort Rucker. As all of you know, the whole history of the military aviation, with the exception of the Navy, was Army until they split off and formed the Air Force. But we have some $75 million worth of aircraft, old World War II vintage and back to experimental planes, plus helicopters and so forth, that are out in the open and the Navy has had two museums built on either a matching basis or fully funded.

The Air Force just two years ago, got $5 million for Wright-Patterson, which I supported—I am on the committee—and what I was hoping we could do was to on a matching basis—we have had air shows for the last five years where we have raised close to $2 million to build and to house these planes. We are asking on a matching basis that you appropriate—which has already been authorized—$2.5 million to get these aircraft, irreplacable, out of the weather, where they will be corrosion free, and so forth. And if you have trouble finding the place to cut, to come up with the money, I would be glad to try to help you there in the cutting.

So these things—they are set out in some detail in my statement—I would urge on you, and I am sure Mr. Bevill, who cannot be here this morning, will reiterate what I have said, particularly as to the three armories, and I would urge on you the approval of these things.

Let me say something before I leave, if I might. Maybe it is presumptious. We just went through a drill on our committee the day before yesterday as to the impact of Gramm-Rudman and it is worse than any of had thought. I don't know where we are going from here, but what we are going to have to cut out of defense spending to get the reductions necessary, it isn't like the rest of the budget, where you get a one for one reduction, our is going to be like three or four to one, and authorizing organizations versus outlays, we are going to be three to four to one.

We are talking about putting as many as half a million people out of the Services; we are talking about serious business and we recognize the problem that you have here, because we have the same problem, and I hope that we can do something about it and I don't know what we can do, but I realize your spending constraints, I realize what you have to deal with, as do we, and I don't know the answer except that there has got to be some changes built into the formula of Gramm-Rudman.

Mr. Hefner. Let me respond. I couldn't agree with you more. We are trying now to come up with a number, we realize that there is going to be some in defense. The numbers coming from the Senate, are not going to be acceptable to a lot of people. We are trying to find a way to get $144 billion without new revenues. We understand there are people downtown that don't want to talk about revenues.

Mr. **Dickinson**. Mr. Chairman, you are on the Budget Committee.

Mr. **Hefner**. Let me finish my statement. And also, we may have to come in on this committee this year. Then when you have things that Buddy Roemer brings and the Army. They bring these things before us, how people are living in Europe and Korea in World War II barracks and quonset huts. It is a damn shame and disgrace, some of these things.

So that brings me to the point-that we have been telling our good friend across the river, Cap Weinberger, somebody is going to have to set some priorities around this place. We know where we are going. I don't know what they need, but somebody knows, and we are going to have to separate the wish list from the real list, and I share your concern and I don't know why we voted for Gramm-Rudman.

Mr. **Dickinson**. I didn't.

Mr **Hefner**. I am glad you didn't.

Are there any questions?

Mr. **Edwards**. Do you have any idea, Bill, what the Army's position is going to be on the museum? Do you see any change?

Mr. **Dickinson**. You want me to talk frankly? You want me to give you my statement here?

Mr. **Edwards**. Whichever you prefer.

Mr. **Lowery**. They are identical, aren't they?

Mr. **Dickinson**. No, no. The Army wants to build some sort of national museum up here. Lots of bucks. And when asked, "Will you designate this as the Army Museum," the Army says no, we won't do it, they can't. They have got a communications museum down in Atlanta. They have got something for Custer's last stand out in the West. They have museums all over. And so they will not designate this as the Army museum. And now they are trying to build a very large Army museum, and trying to get Secretary Marsh's attention. I might be able to do it, I don't know, but it isn't an either/or thing. This is something that is justified and it doesn't come ahead of schooling. It doesn't come ahead of quality of life type things. This is on a matching basis. This is something I would like to do before I leave the Congress. I think it is very important to my state.

Mr. **Hefner**. Do you have a timetable when you are leaving? Could we have that?

Mr. **Dickinson**. It depends on what you do, Mr. Chairman.

Mr. **Hefner**. Is it critical to your election?

Mr. **Dickinson**. This has nothing to do with politics. This has nothing to do with politics. This is strictly eleemosynary.

Mr. **Rudd**. I hope you will help me with the Ace's museum and have it in Arizona.

[The statement of Representative Dickinson follows:]

TESTIMONY OF CONGRESSMAN WM. L DICKINSON
HOUSE APPROPRIATIONS SUBCOMMITTEE ON MILITARY CONSTRUCTION
March 20, 1986

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE YOU THIS MORNING AND TO BRING TO YOUR ATTENTION SEVERAL MILITARY CONSTRUCTION PROJECTS THAT I BELIEVE MERIT YOUR CONSIDERATION FOR INCLUSION IN THIS YEAR'S MILITARY CONSTRUCTION APPROPRIATIONS BILL. I REALIZE THAT OUR TIME IS LIMITED THIS MORNING, SO I WILL MAKE THIS BRIEF.

AT THE REQUEST OF THE ALABAMA NATIONAL GUARD, AND IN COOPERATION WITH MY COLLEAGUE TOM BEVILL, WHO IS A MEMBER OF THIS SUBCOMMITTEE, I INTEND TO REQUEST THE ADDITION OF FUNDS FOR THE CONSTRUCTION OF THREE NATIONAL GUARD ARMORIES TO THE 1987 MILITARY CONSTRUCTION AUTHORIZATION BILL WHEN MY OWN SUBCOMMITTEE MARKS UP THAT MEASURE. THESE FACILITIES ARE PROGRAMMED FOR FUTURE YEARS, BUT DESIGNS ARE NOW AT 100%, AND CONSTRUCTION CAN BEGIN AS SOON AS FUNDS ARE AVAILABLE. FUNCTIONS IN ALL THREE LOCATIONS ARE BEING CARRIED OUT IN INADEQUATE, TEMPORARY LEASED BUILDINGS, AND THE CONSTRUCTION OF ADEQUATE FACILITIES IS BADLY NEEDED TO ACCOMODATE THE MISSIONS OF THESE GUARD UNITS. NONE OF THE REQUESTED FACILITIES REQUIRES THE ACQUISITION OF LAND. CONSTRUCTION HAS BEEN APPROVED BY THE ALABAMA MILITARY DEPARTMENT AND MATCHING STATE FUNDS ARE AVAILABLE. THE TOTAL AMOUNT NECESSARY FOR THE CONSTRUCTION OF THE THREE FACILITIES IS $2.35 MILLION.

ALSO, MR. CHAIRMAN, I WOULD LIKE TO BRING TO THE SUBCOMMITTEE'S ATTENTION THE SQUADRON OFFICERS' SCHOOL LEADERSHIP DEVELOPMENT COMPLEX AT MAXWELL AIR FORCE BASE, AN ITEM INCLUDED IN THE 1985 AIR FORCE BUDGET REQUEST AND AUTHORIZED LAST YEAR BY THE HOUSE ARMED SERVICES SUBCOMMITTEE ON INSTALLATIONS AND FACILITIES. YOU WILL NOTICE THAT THE AIR FORCE HAS AGAIN INCLUDED THIS PROJECT IN ITS 1987 BUDGET REQUEST. IT WAS REMOVED FROM LAST YEAR'S MILITARY CONSTRUCTION APPROPRIATIONS BILL, IF I REMEMBER CORRECTLY, BECAUSE IT WAS VIEWED AS A RECREATIONAL FACILITY. I BELIEVE THAT THERE HAS BEEN A MISUNDERSTANDING ABOUT THE NATURE OF THIS PROJECT, AND I COME BEFORE YOU TODAY TO STRESS THE IMPORTANCE OF THIS PROJECT AND TO EXPLAIN ITS PURPOSE AT THE SCHOOL. STUDENTS AT THE SQUADRON OFFICERS' SCHOOL SPEND NEARLY A QUARTER OF THEIR INSTRUCTION TIME IN OUTDOOR LEADERSHIP DEVELOPMENT ACTIVITIES. THESE ACTIVITIES INCLUDE SPECIAL AIR FORCE GAMES AND EXCERSIES DESIGNED TO PLACE THE STUDENTS IN RAPIDLY CHANGING PHYSICAL SITUATIONS WHICH REQUIRE QUICK THINKING, FAST CHANGES IN STRATEGY, AND TEAMWORK. THIS FACILITY IS REQUESTED NOT FOR LEISURE RECREATION, BUT FOR ACTIVITIES WHICH ARE CENTRAL TO THE MISSION OF THIS SCHOOL. THESE ACTIVITIES ARE CURRENTLY SUPPORTED BY WWII BUILDINGS WHICH ARE IN EXTREMELY POOR REPAIR AND SHOULD BE REMOVED. MOREOVER, THE BUILDINGS AND ADJOINING ACTIVITY AREAS OCCUPY AN UNFORTUNATE AND SOMEWHAT DANGEROUS LOCATION IN THE CLEAR ZONE OF THE BASE AIR FIELD FAR FROM THE ACADEMIC AND LIVING FACILITIES WHERE THE STUDENTS SPEND THE REMAINDER OF THEIR TIME. IN A BRIEFING EARLIER THIS YEAR, MAXWELL OFFICIALS INFORMED ME THAT THIS FACILITY IS THE SINGLE HIGHEST PRIORITY CONSTRUCTION ITEM FOR THE BASE. I WOULD APPRECIATE YOUR COMMITTEE'S FAVORABLE CONSIDERATION OF THEIR REQUEST.

THE LAST ITEM I WOULD LIKE TO MENTION THIS MORNING IS THE $2.5 MILLION IN FUNDS FOR ADDITIONS AND ALTERATIONS TO THE U.S. ARMY AVIATION MUSEUM AT FORT RUCKER WHICH WAS AUTHORIZED LAST YEAR. THE TWO-YEAR AUTHORIZATION LIFE OF THIS ITEM ALLOWS IT TO BE APPROPRIATED THIS YEAR DESPITE ITS ABSENCE IN LAST YEAR'S APPROPRIATIONS BILL. THE ARMY AVIATION MUSEM HOUSES A $75 MILLION COLLECTION OF ARMY AIRCRAFT AND ARTIFACTS WHICH ARE CURRENTLY CONTAINED IN A SERIES OF SERIOUSLY INADEQUATE WWII HANGARS AND BUILDINGS. WITHOUT THE BENEFIT OF TEMPERATURE OR HUMIDITY CONTROL AND WITHOUT ADEQUATE INDOOR SPACE, THE COLLECTION IS DETERIORATING--SOME OF IT RAPIDLY--AND I BELIEVE IT IS IMPORTANT THAT WE ACT NOW TO PRESERVE THIS MONUMENT TO THE ARMY'S AVIATION HISTORY. A FINE LOCAL EFFORT HAS BEEN MADE TO RAISE PRIVATE FUNDS FOR THIS CONSTRUCTION. THE FUNDS I AM REQUESTING WOULD MATCH THE AMOUNT RAISED PRIVATELY, AND I WOULD GREATLY APPRECIATE YOUR CONSIDERATION OF THIS REQUEST AS YOU ASSEMBLE THE 1987 MILITARY CONSTRUCTION APPROPRIATIONS BILL.

THANK YOU

Mr. HEFNER. Congressman Panetta.

STATEMENT OF CONGRESSMAN LEON PANETTA

Mr. PANETTA. Thank you, Mr. Chairman.

Very briefly, I would like to submit my testimony for the record, Mr. Chairman, and just summarize. Basically, this is an issue that the subcommittee is familiar with, with regard to primarily military housing in the Monterey area. We have actually three facilities in Monterey. Fort Ord, which is the home of the 7th Division, which is a light infantry division, Defense Language Institute, which is both the Language Institute and the Military Institute for the Training of Foreign Languages for Military Personnel, and the Navy Post-Graduate School.

The area itself, as most of you may know, is an area that not only has expensive housing, has very low vacancy rate, about five percent vacancy rate.

The problem with regard to Fort Ord is that it was initially a training area for the training of basic trainees, and when it became a permanent post, a permanent home for a division, frankly there was not enough housing available in the community, or on post to support that kind of division. We have over the last few years been able to construct those facilities, but we are still short. We have 2500 on the waiting list for housing and the problem when you have a light infantry division such as the 7th, which is the first to go on line, there is a tremendous amount of pressure on those troops just to maintain a very high level of training. They are constantly moving in and out, doing maneuvers abroad, a lot of pressure on their families, much less not being able to provide adequate housing.

This is truly a quality of life issue. Your committee has responded to it, as has Mr. Dellums' subcommittee, and we were able to get additional construction of homes on post last year. There is included in the President's budget an additional request for 385 housing units. I would urge you to approve that. That is absolutely essential to complete this because it is targeted at junior enlisted personnel and they desperately need that kind of housing.

The same thing is true for the Defense Language Institute. It is expanding. Right now we anticipate about 3400 students there in training for foreign languages and again it is in an area where the housing is not that adequate off post, it is very expensive, and this would provide for the ability to construct barracks at the different language institutes.

We have some additional funds provided for that purpose. I am just asking that the request that is included—I think it is $5.4 million for additional barracks facilities—also be provided. There are other requests included in my testimony that relate to operations there. I would urge you to look at those.

The only other one I would mention, I realize the constraints on the subcommittee—having been on the Budget Committee, and have worked on budgets, I know what you are up against—I would ask you to look at one other thing the committee asked the Navy to resubmit, which was for classroom space at Navy Post-Graduate School. It is a school that I think is essential in terms of providing post-graduate education to our Navy personnel. What they have needed is about 1400 square feet of additional space for classrooms, particularly for mathematics and meteorology, and they have made that request in the past. Your subcommittee asked that they resubmit that. I am resubmitting it for them, because we do need the classroom space at the Post-Graduate School. Those are included in any testimony and I would ask for your consideration on those requests.

Thank you, Mr. Chairman.

[The statement of Representative Panetta follows:]

STATEMENT OF HON. LEON E. PANETTA
BEFORE SUBCOMMITTEE ON MILITARY CONSTRUCTION
ON MILITARY CONSTRUCTION BUDGET FOR FY 87
March 20, 1986

Mr. Chairman and Members of the Subcommittee, I am pleased to appear before you to talk about the proposed military construction projects for the 16th Congressional District for Fiscal Year 1987. I have been pleased to have the opportunity to work with this Subcommittee in the past to ensure that this budget provides the necessary facilities for our servicemen and women and their dependents, and I know that this productive relationship will continue.

Today, I would like to discuss the different military construction projects that have bene proposed for the 16th Congressional District. As you well know, these projects fall into two very different categories: military housing and general construction. The first category I would like to talk about is the issue of family housing.

I am very pleased to point out to the Members of this Subcommittee that we are finally making real progress on this issue. In particular, the last Congress appropriated more than $50 million for construction of new military housing and improvements on old housing units in the 16th Congressional District. These appropriations will go a long way toward improving the serious housing shortage in my area, but there is more that we can do.

As the Members of this Subcommittee know, I represent the Monterey Peninsula, which is widely known as the location of several military installations such as Fort Ord, the Defense Language Institute, and Fort Hunter Liggett. The Monterey Peninsula is known not only for these prestigious military facilities, but for its expensive economy, as well. The per capita income on the Monterey Peninsula, in fact, is 123 percent of the nation's. If that was not bad enough, servicemen and women find that there is an off-post housing vacancy rate of only 1.5 percent. This means that there is not much private housing available to our military personnel and their families, and the housing that is available is too expensive. Indeed, the housing situation has received such vast exposure that the local governments in my area have banded together to support the construction of on-post housing for our military personnel and their dependents.

This year, the President has requested $39.4 million for two separate military housing projects in my district. The first of these projects will provide 385 new housing units at Fort Ord. The cost of this project is $34 million. Most of these new housing units will be for Junior Enlisted personnel and their families. The other units will be for Junior officers.

Last year, I testified that the housing shortage at Fort Ord was so acute that 2,500 military personnel were on waiting lists for on-post housing. As a result, the Congress appropriated funds for new housing construction at Fort Ord. Combined with these new programs for FY 87, I am pleased to note that we are well on the way toward alleviating the housing problem at Fort Ord.

The second family housing project planned for my district will provide two additional barracks modules for students at the Defense Language Institute Foreign Language Center -- a branch of the Presidio of Monterey. This project is budgeted at $5.4 million. The Subcommittee will, I am sure, remember that the DLI is the largest foreign language training facility not only in the United States, but in the free world. Graduates of the DLI go on to important intelligence and intelligence-related positions in this country and around the world. At present, the student load at the DLI averages 3,400. The student load is, however, expected to increase to 3,500 within the next year. Despite the projected increase, the DLI does not have enough housing to meet the needs of its student population. The construction of these two new barrack modules, which will house 88 individuals each, will solve the housing problem at the DLI through 1990.

In short, after years of confronting the military housing shortage on the Monterey Peninsula, an end is now in sight. Upon completion, the two projects I have just described will solve the short term, and even some long term, housing shortages at both Fort Ord and the Defense Language Institute. We have come very far in our efforts to provide adequate housing for our military personnel and their dependents, and I urge the Subcommittee to see these efforts through to their conclusion. We must not stop short of what is necessary.

I would now like to turn to the issue of general military construction. For example, the President has requested $2.1 million for construction of a flight simulator building at Fort Ord. More than 600 pilots from active and reserve-component units in California, Arizona, Nevada, and Utah train annually at Fort Ord in instrument flying and rotary-wing emergency procedures. Despite this fact, Fort Ord currently has no facility to provide flight simulation training in the UH-60 helicopter. Delivery is soon expected on a simulation system of the UH-60, but there is no room for it. If this project is not completed by the time delivery is made of the system, postponement and delay will result that could have a significant adverse effect on the readiness of the unit at Fort Ord.

In addition, the budget contains a request for $4.45 million for the construction of a Physical Fitness Training Center at Fort Ord. Currently, the men and women of the 7th Infantry Division (Light) at Fort Ord must take their physical activity in wooden structures where the danger of fire is very real. There is no adequate multi-purpose field and shower and locker facilities are substandard in both size and condition.

The proposed budget also requests $530,000 for improvements at the hospital at Fort Ord. This money will provide additional space to house medical diagnostic equipment because current facilities are overcrowded and space is not available for new equipment.

I would now like to take this opportunity to discuss a project that is not in the President's proposed budget this year, but one which I feel is vitally important to the important mission of the Naval Postgraduate School (NPS) -- the only naval station on the central California coast. The NPS is an educational institution that is involved in continuing education, the Navy's Aviation Safety Courses, and graduate education programs involving students from the Navy, the Marine Corps, Army, Air Force, Coast Guard, and members of the armed services of 31 other countries from around the world.

A few years ago, a report was released analyzing the problem of inadequate facilities at the Naval Postgraduate School. At that time it was determined that the NPS was 147,000 square feet short of facilities necessary to meet the needs of its student population. Since that time, the student population at the NPS has continued to increase, and the space deficit has worsened. It is necessary, therefore, that a new building be constructed.

The Navy currently has plans for the construction of an Applied Sciences Academic Building at the Naval Postgraduate School. This building would provide classroom and laboratory space for the Departments of Mathematics and Meteorology, as well as Oceanography. In addition, the building would house computer equipment valued at $1.5 million and allow another $8 million worth of equipment to be moved into currently occupied space. At the present time, the NPS has millions of dollars of computer equipment, but no room in which to set it up.

Like all of Congress, I know that the Members of this Subcommittee are being pressured to forward a budget that is cut to the bare essentials. I recognize and support your efforts to achieve a balance between what is wanted, what is necessary, and what is affordable. I would suggest to the Subcommittee that an Applied Sciences Building at the Naval Postgraduate School is necessary and I urge your support for this project.

I think it is important to realize that we are talking about realistic requests here. If Gramm-Rudman has taught us nothing else, it has taught us that we must set budgetary priorities and weed out unneccessary expenditures. The President's request for the 16th Congressional District is a bare minimum of what is required. Other plans, such as those to continue the Presidio of Monterey's multi-year master plan for building up the Defense Language Institute has been put on hold in the face of budget realities and because new housing is the top priority at this time. We must all set these priorities and make these choices. I believe the Military Construction request for the 16th Congressional District demonstrates a recognition of the need to make these choices and is, therefore, worthy of your support.

Frankly, I realize that all military construction projects, even those to provide military housing, will be subject to careful scrutiny and probable cuts. But, I urge this Subcommittee to remember how far we have come in the last few years. There is much yet that needs to be done. For this reason, I urge this Subcommittee to support the military construction projects for the 16th Congressional District.

The problem of inadequate housing for our military personnel will not go away overnight. It will take a continued and concerted effort before we can rest on this matter. I know that I personally will not rest as long as men and women who have sworn to protect our nation are forced to live in substandard housing. We owe them more than that.

Mr. **Hefner**. Thank you.

Just briefly could you tell me how far this year's project would take us toward meeting the shortages at Fort Ord?

Mr. **Panetta**. I think it is going to get us very close now, because we are building 600 units this year at Fort Ord. The request is for 385, I think, additional units. We have already constructed in the last few years almost 1100 units on post. I think we are getting close to meeting the need. This would be very close to meeting the need and combine that with some off post housing, I think would be made available or loosened up as a result of on-post housing. Then I think we have the ability to meet this need that is there.

Mr. **Hefner**. Any questions?

Mr. **Lowery**. What are the families doing now?

Mr. **Panetta**. One, a lot of the individuals have not brought their families there because their office doesn't have the housing available.

The other thing is that sometimes they are combining, because the rents are so high, they are combining in a unit to try to live off post and provide the deposits necessary to do that, so they are living in groups off post.

There have been some additional units built off post and the units that have been built that helped a bit.

Mr. **Lowery**. Private sector?

Mr. **Panetta**. Yes, by the private sector. The private sector has been very cooperative in this. You still have problems with deposits, problems of putting first month and second months rent down and before you know, these families are almost $2 or $3,000 in the hole before they have gotten on the post. For that reason, a large number of the members have not brought their families there. As I said, it is a difficult situation with the light infantry. They should at least have that small token of getting their families there so they have somebody to go back to in a very heavy schedule.

Mr. **Lowery**. I am very sympathetic to the problem. We have the problem in San Diego. With the Navy's own figures it has been a shortfall of a minimum of 6,000 housing units, not individuals, but units, that are required. It is incredibly high cost of housing in California.

Mr. **Panetta**. All of it is in the President's request with the exception of Navy expansion. I mentioned you should take a look at that.

Mr. **Lowery**. You don't anticipate a problem about authorization?

Mr. **Panetta**. No, I don't.

Thank you.

Mr. **Hefner**. Our next witness is Mr. Tony Hall from Ohio.

STATEMENT OF CONGRESSMAN TONY HALL

Mr. **Hall**. Thank you, Mr. Chairman, members of the committee.

If I may, I will just summarize. I speak today in support of the President's request of $34.5 million for six projects at Wright-Patterson Air Fore Base. These projects are in the President's budget. I seek no additions or changes. I call attention to three projects of particular importance. Two of these are a Defense Access Road and its on-base continuation.

Wright-Patterson Air Force Base is an aerial port of embarkation. That means in time of war, materiel from all over the country would come to the base for transshipment to support fighting forces anywhere in the world. In the past, contingency plans have called for many of our shipments to be made by rail. However, the base has become increasingly dependent on trucks for most of the shipments. Under contingency operations the base air freight terminal is prepared to process one truck every 15 minutes. Therefore, highway access is essential for the base's mission.

However, there is no direct link between the base and the national interstate and defense highway network system. In fact, existing roads are very inadequate to handle current levels of traffic, let alone the increased travel that might result from wartime. The proposed road would eliminate traffic bottlenecks that we now have in front of Gate 12A which is one of the major entrances to the base. Within 300 yards of this gate are two railroad grade crossings, a five way intersection, and a four way intersection. The result during rush hour is that traffic virtually stands still.

There is an average of 28 traffic accidents per year and that is ten times the accident rate for the average gate. Keep in mind these are peacetime conditions. In the event of a national emergency this would very critically affect the base's performance.

The problem only grows worse. Traffic in the corridor of the proposed road project is estimated to increase 45 percent in the next 20 years. I point out that the Defense Department will only pay about 60 percent of the project's cost with the balance paid by the State of Ohio. This figure actually represents a smaller percentage than the actual share of base traffic which will use the road.

These figures came about through a lot of negotiations. One time the state wanted construction costs for the road to be paid solely by the Air Force, but as a result of the negotiations the state will pay about 40 percent and the military portion has been pared down significantly.

I also want to mention the importance of the third project, an addition to the Biocommunications Laboratory. This is a unique national laboratory that conducts some research which is performed nowhere else in the U.S. These existing facilities are inadequate to handle requests, resulting in a work backlog. This facility is unable to perform certain highly secret work to prevent jamming of our communications during a war. The proposed addition will add the necessary security to conduct this research.

That concludes a summary of the statement that I have and I would appreciate the committee taking a very good look at these proposals.

Thank you.

[The statement of Representative Hall follows:]

- Testimony of Representative Tony P. Hall
on the 1987 Military Construction Appropriation Bill
at a hearing before the
Subcommittee on Military Construction
House Committee on Appropriations
March 20, 1986

Mr. Chairman and members of the Subcommittee, I appreciate the opportunity to testify on the fiscal 1987 Military Construction Appropriation Bill.

I speak in support of the President's request of $34.5 million for six military construction projects at Wright-Patterson Air Force Base, which is partly contained in my district. I seek no additions or changes.

I draw attention to my support for three items: a Defense Access Road ($15 million) and the on-base continuation ($3.6 million), and an addition to the Biocommunications Laboratory ($7.4 million).

Currently, there is no direct link between WPAFB and the National Interstate and Defense Highway Network System. The proposed roads will correct this problem by connecting I-675 with Areas A and C and alleviating hazardous traffic conditions in front of gate 12A, a major entrance to the base.

The new roads will directly contribute to WPAFB's mission. This is because a number of tasks performed at the base are dependent on vehicular access to and from the base.

Among these tasks, the most important are related to the base's mission as an Aerial Port of Embarkation. This means that during time of war, materiel from throughout the Midwest will be transported to the base and airlifted to support our fighting forces all over the world. In recent years, plans have shifted to rely less on rail transportation and more on trucks so that vehicular access to the base is more important now than ever. Moreover, this dependence on truck access is likely to increase in the future. Under contingency operations, the base Air Freight Terminal is prepared to process one truck every 15 minutes for freight transshipments.

Current peacetime activities of the base also require efficient links with the interstate highway system because the base is a regional and worldwide ground and air freight transportation center for various types of freight shipments.

The base is an aircraft tire storage and worldwide distribution point. The base receives at least 25 tire shipments per month, and makes at least 464 monthly tire transshipments by truck to other CONUS military installations.

The base makes regular LOGAIR shipments to service weapons systems. Parts which need repair and maintenance are flown into the base Air Freight Terminal to be processed for transshipment to Newark Air Force Base or to other surrounding military installations. About 230 such transshipments are made per month.

In addition, the Armed Forces Courier Service provides an armed escort service for classified materiel shipments to and from the base.

The average daily traffic volume through gate 12A is over 10,000 vehicles. Traffic in the corridor of the proposed road is projected to increase by 45 percent in the next 20 years, and the base may generate about 75 percent of the vehicles using this corridor.

The existing roads to the base are inadequate to handle the existing traffic, let alone the much more severe traffic problems which would exist during war or national emergency. Within 300 yards of gate 12A are two railroad grade crossings which average 28 train crossings per day, a five-way intersection, and a 4-way intersection. The result is a bottle neck along a two lane stretch of Colonel Glenn Highway approaching gate 12A. All traffic operates under forced-flow and standstill traffic conditions during peak hour periods.

This contributes to an annual average of 28 accidents outside gate 12A. That is 5 times the accident rate of the second most unsafe gate, and 10 times the average gate.

In 1983, the Department of Defense's Military Traffic Command analyzed the traffic problems in front of gate 12A and found that vehicular traffic far exceeded capacity, and that the intersection closest to the gate failed.

The proposed Defense Access Road is the result of lengthy and complicated negotiations between the Air Force, the Ohio Department of Transportation, the City of Fairborn, Greene County, and Wright State University. Any delay by Congress in authorizing funds for the project could jeopardize existing agreements.

The $15 million for the defense access road represents about 60 percent of the construction costs, with about 40 percent paid by Ohio State and Federal funds. The State funds have been authorized only for fiscal 1987. There is no guarantee that the State funds will be available in future years.

As a demonstration of support for the road, Wright State University has donated the use of 70 acres of land. In 1974, the market value of the property was determined to be almost a quarter of a million dollars.

The City of Fairborn and Greene County have agreed to maintain portions of the highway once it has been completed.

The highway is part of the Miami Valley Regional Planning Commission's (a Metropolitan Planning Organization) Transportation Improvement Program for fiscal 1985 to fiscal 1989.

I want to stress that the Air Force made a great effort to reduce costs to the Defense Department. As a result, the Air Force will end up paying a smaller percentage of the total project costs than the percentage of projected traffic use of the road by the base.

This is a dramatic change from the late 1960s when negotiations first began between the Air Force and the Ohio Department of Transportation (ODOT) and the state demanded 100 percent military funding. Also, the project, as submitted in the budget request, has been scaled down to reduce costs.

The Defense Access Road has been designated a "public roadway." This maximizes the non-military participation in construction and maintenance costs. Of course, during time of national emergency, the roadway will controlled by the Defense Department as any part of the National Interstate and Defense Highway System.

The Air Force will pay a smaller percentage of the project cost than the percentage of its use of the road. The estimated traffic on five roadway segments and all the exit and entrance ramps was examined separately. The cost for each of those segments was assessed proportionately based on those shares. However, if a segment failed to meet a threshold of 50 percent base use or more, no military funding would be used to pay for that segment. Several ramps were found to have less than 50 percent base traffic. Therefore, the total cost of constructing those ramps will be absorbed by the state. Of the segments which met the threshold, base traffic was found to range between 66 percent and 100 percent, with most about 75 percent. However, because the Air Force will not pay for the segments which did not meet the threshold, the total share of the construction costs for the Air Force are estimated to be only 64 percent.

No military funds will be used on the project for preliminary engineering and contract planning. Moreover, no military funds will be used for right of way acquisition. These costs are estimated to be about $2 million. Taking into consideration the total costs of the project, including construction, design, and engineering, the Air Force will only pay 58 percent of the costs, according to the MVRPC.

The Air Force will not be obligated to maintain the road. Because the road has been designated a public roadway, the costs for patrolling, snow removal, and maintenance will be absorbed by the City of Fairborn and Greene County. Furthermore, the public roadway designation saves the Air Force the cost of securing the roadway with a fence which is not necessary.

The size of the project was scaled down to reduce costs. Earlier, more costly alternatives to the project submitted in the budget request were rejected by the planners. Moreover, two proposed ramps were dropped from the final version in the budget request, saving $1.75 million.

To summarize, I want to emphasize that the road is vitally important to our National defense. Moreover, it will increase safety and reduce existing severe traffic problems outside the base. It is strongly supported by the community. It is a good deal for the Defense Department because many costs will be absorbed by the state and local governments.

Finally, I want to mention the importance of the proposed addition to the Biocommunications Laboratory. This laboratory is part of the Biodynamics and Bioengineering Division of the Armstrong Aerospace Medical Research Laboratory.

The laboratory conducts research at the request of the Air Force, the Army, and the National Security Agency. It is a unique national facility which draws upon a wide range of in-house scientific talent and conducts work which is performed nowhere else in the U.S.

The three-floor addition will contain laboratories and administrative space. Research conducted in the laboratories is expected to include communications jamming devices and counter jamming devices, robotics, synthetic speech, voice control, voice recognition, and command, control, and communication centers.

The addition is especially needed for highly sensitive research into researching and developing communications equipment that can resist enemy jamming. This classified work cannot be conducted using existing facilities.

The present building is overcrowded and contains significant substandard space. As a result, the laboratory has a large backlog of unfilled requests.

The project is now completing its 60 percent design review point.

Thank you for your consideration.

Mr. **Hefner**. Could you explain the statement that the State of Ohio funds have only been available for fiscal year 1987?

Mr. **Hall**. The state of Ohio has made a commitment through negotiations with the Air Force to fund the Wright-Patterson Air Force Base Defense Access Road in fiscal '87 and as you know, there are a lot of competing priorities in the State of Ohio as there are in many states. They have only made a commitment for '87 and that is not to say it won't be available in '88. As of right now it is only committed for '87.

Mr. **Hefner**. Thank you.

Mr. **Hefner**. Our next witness is Mr. Lindsay Thomas of Georgia. He is accompanied by Donald Mitchell and Mr. Gene Brewer and Mr. Ward Hernandez, representing King's Bay Impact Coordinating Committee.

Welcome, gentlemen, your entire statement will be part of the record.

STATEMENT OF CONGRESSMAN LINDSAY THOMAS

Mr. **Thomas**. Thank you.

Mr. Chairman and other distinguished subcommittee members, it is an honor to appear before you in support of the fiscal year 1987 military construction appropriations request for the Naval Submarine Base at Kings Bay. With me today are three distinguished members of the Kings Bay Impact Coordinating Committee: the Honorable Donald Mitchell, Mayor of Woodbine; the Honorable Gene Brewer, Superintendent of Camden County Schools; and also with us but not testifying, is the Honorable Ward Hernandez, Mayor of the City of St. Marys.

I know that your time is very short, and we will keep our remarks very brief.

This distinguished subcommittee is personally familiar with the community impact assistance program at Kings Bay, having fully supported it in your appropriation bills for the past three years. Now we are at the time of the most critical need for funding.

I know that you face great pressures to reduce spending this year, and I know that I am one of many Members of Congress urging full funding for items in the budget. That is why I ask that this year, as you consider the Kings Bay community impact funds, you keep in mind these points:

First, the projects in this year's budget are to help Navy families and local citizens have a chance to cope with the influx of 31,000 new residents into a predominantly rural area with a very small tax base and governmental infrastructure. The projects provide for such needs as police and fire protection, education, roads, and solid waste disposal.

You can get an idea of the magnitude of the problem that is facing these local governments when you note that in one of the impacted counties—Camden—the population will more than triple by the time the base is fully operational.

Second, when you look for areas in the budget to reduce, remember that these impact assistance projects have already been cut. There were 32 projects originally recommended to the Impact Assistance Committee for funding. After careful and often heated debate by the committee itself, by the Navy, by Department of Defense and by OMB, the list was cut to the 16 items included in the President's budget.

Third, the Impact Committee has earned a reputation for being tight with a dollar and very candid with this subcommittee. It has won the praise and support of the Navy and the Congress for its professionalism.

You will remember that two years ago the Impact Committee itself found ways to cut $200,000 from its own operating budget, and came to this subcommittee and requested that the $200,000 be cut from its appropriation. I imagine that was the only group that came to your hearings that year that volunteered for a reduction, and of course, the subcommittee accepted their suggestion without hesitation.

Fourth, these local governments are not asking for a free ride from the Federal Government. They have raised their tax millage rate, in some cases by as much as 82 percent over four years.

They are funding many projects totally by themselves. The Navy's share of the projects in fiscal year 1987 is $4.502 million. But local and state governments and other sources will provide $6.504 million in additional money. The budget request you have before you relates only to items that are essential, that are related to the Navy population growth and for which money is not available from other sources.

In conclusion, Mr. Chairman, I want to thank you for your support in the past. I urge you to keep in mind that we are now at the most critical stage of the impact assistance program, and we need your help now more than ever.

Thank you for your attention, and I would now like to present to you the Honorable Donald Mitchell, Chairman of the Kings Bay Impact Coordinating Committee.

[Mr. Thomas' statement follows:]

STATEMENT OF U.S. REP. LINDSAY THOMAS
BEFORE THE
SUBCOMMITTEE ON MILITARY CONSTRUCTION
HOUSE COMMITTEE ON APPROPRIATIONS

MARCH 20, 1986

MR. CHAIRMAN AND OTHER DISTINGUISHED SUBCOMMITTEE MEMBERS, IT IS AN HONOR TO APPEAR BEFORE YOU IN SUPPORT OF THE FISCAL YEAR 1987 MILITARY CONSTRUCTION APPROPRIATIONS REQUEST FOR THE NAVAL SUBMARINE BASE AT KINGS BAY. WITH ME TODAY ARE THREE DISTINGUISHED MEMBERS OF THE KINGS BAY IMPACT COORDINATING COMMITTEE: THE HONORABLE DONALD MITCHELL, MAYOR OF WOODBINE; THE HONORABLE GENE BREWER, SUPERINTENDENT OF CAMDEN COUNTY SCHOOLS; AND ALSO WITH US BUT NOT TESTIFYING IS THE HONORABLE WARD HERNANDEZ, MAYOR OF THE CITY OF ST. MARYS.

I KNOW THAT YOUR TIME IS VERY SHORT, AND SO WE WILL KEEP OUR REMARKS VERY BRIEF.

THIS DISTINGUISHED SUBCOMMITTEE IS PERSONALLY FAMILIAR WITH THE COMMUNITY IMPACT ASSISTANCE PROGRAM AT KINGS BAY HAVING FULLY SUPPORTED IT IN YOUR APPROPRIATION BILLS FOR THE PAST THREE YEARS. NOW WE ARE AT THE TIME OF THE MOST CRITICAL NEED FOR FUNDING.

I KNOW THAT YOU FACE GREAT PRESSURES TO REDUCE SPENDING THIS YEAR, AND I KNOW THAT I AM ONE OF MANY MEMBERS OF CONGRESS URGING FULL FUNDING FOR ITEMS IN THE BUDGET. THAT IS WHY I ASK THAT THIS YEAR, AS YOU CONSIDER THE KINGS BAY COMMUNITY IMPACT FUNDS, YOU KEEP IN MIND THESE POINTS:

-- FIRST, THE PROJECTS IN THIS YEAR'S BUDGET ARE TO HELP NAVY FAMILIES AND LOCAL CITIZENS HAVE A CHANCE TO COPE WITH THE INFLUX OF 31,000 NEW RESIDENTS INTO A PREDOMINANTLY RURAL AREA WITH A VERY SMALL TAX BASE AND GOVERNMENTAL INFRASTRUCTURE. THE PROJECTS PROVIDE FOR SUCH NEEDS AS POLICE AND FIRE PROTECTION, EDUCATION, ROADS, AND SOLID WASTE DISPOSAL.

YOU CAN GET AN IDEA OF THE MAGNITUDE OF THE PROBLEM THAT IS FACING THESE LOCAL GOVERNMENTS WHEN YOU NOTE THAT IN ONE OF THE IMPACTED COUNTIES-- CAMDEN-- THE POPULATION WILL MORE THAN TRIPLE BY THE TIME THE BASE IS FULLY OPERATIONAL.

-- SECOND, WHEN YOU LOOK FOR AREAS IN THE BUDGET TO REDUCE, REMEMBER THAT THESE IMPACT ASSISTANCE PROJECTS HAVE ALREADY BEEN CUT. THERE WERE 32 PROJECTS ORIGINALLY RECOMMENDED TO THE IMPACT ASSISTANCE COMMITTEE FOR FUNDING. AFTER CAREFUL AND OFTEN HEATED DEBATE BY THE COMMITTEE ITSELF, BY THE NAVY, BY DOD, AND BY OMB, THE LIST WAS CUT TO THE 16 ITEMS INCLUDED IN THE PRESIDENT'S BUDGET.

-- THIRD, THE IMPACT COMMITTEE HAS EARNED A REPUTATION FOR BEING TIGHT WITH A DOLLAR AND VERY CANDID WITH THIS SUBCOMMITTEE. IT HAS WON THE PRAISE AND SUPPORT OF THE NAVY AND THE CONGRESS FOR ITS PROFESSIONALISM.

YOU WILL REMEMBER THAT TWO YEARS AGO THE IMPACT COMMITTEE ITSELF FOUND WAYS TO CUT $200,000 FROM ITS OWN OPERATING BUDGET, AND CAME TO THIS SUBCOMMITTEE AND REQUESTED THAT THE $200,000 BE CUT FROM ITS APPROPRIATION. I IMAGINE THAT WAS THE ONLY GROUP THAT CAME TO YOUR HEARINGS THAT YEAR THAT VOLUNTEERED FOR A REDUCTION, AND OF COURSE THE SUBCOMMITTEE ACCEPTED THEIR SUGGESTION WITHOUT HESITATION.

-- FOURTH, THESE LOCAL GOVERNMENTS ARE NOT ASKING FOR A FREE RIDE FROM THE FEDERAL GOVERNMENT. THEY HAVE RAISED THEIR TAX MILLAGE RATE-- IN SOME CASES BY AS MUCH AS 82 PERCENT OVER FOUR YEARS.

THEY ARE FUNDING MANY PROJECTS TOTALLY BY THEMSELVES. THE NAVY'S SHARE OF THE PROJECTS IN FY 1987 IS $4.502 MILLION. BUT LOCAL AND STATE GOVERNMENTS AND OTHER SOURCES WILL PROVIDE $6.504 MILLION IN ADDITIONAL MONEY. THE BUDGET REQUEST YOU HAVE BEFORE YOU RELATES ONLY TO ITEMS THAT ARE ESSENTIAL, THAT ARE RELATED TO THE NAVY POPULATION GROWTH AND FOR WHICH MONEY IS NOT AVAILABLE FROM OTHER SOURCES.

IN CONCLUSION, MR. CHAIRMAN, I WANT TO THANK YOU FOR YOUR SUPPORT IN THE PAST. I URGE YOU TO KEEP IN MIND THAT WE ARE NOW AT THE MOST CRITICAL STAGE OF THE IMPACT ASSISTANCE PROGRAM, AND WE NEED YOUR HELP NOW MORE THAN EVER.

THANK YOU FOR YOUR ATTENTION, AND I WOULD NOW LIKE TO PRESENT TO YOU THE HONORABLE DONALD MITCHELL, CHAIRMAN OF THE KINGS BAY IMPACT COORDINATING COMMITTEE.

STATEMENT OF MAYOR DONALD MITCHELL, CHAIRMAN, KINGS BAY IMPACT COORDINATING COMMITTEE

Mr. MITCHELL. Good morning.

Mr. Chairman, each of your committee members has previously been given a copy of my testimony for today's hearing, including our annual executive summary of proposed community impact assistance projects.

In addition, the committee's staff has received a complete report on the development and details of each fiscal year 1987 project and this information is available for your review. In the interest of time, I will highlight a few items contained within this material.

Today marks my fourth appearance before your committee and I am proud to report that progress is being made within the communities surrounding the Kings Bay installation. However, without the past support and commitment of this committee, local capabilities to accommodate our increasing military related population would have been severely limited.

Since 1984, some 16 million federal dollars have been authorized and appropriated for 36 governmental projects required to serve the expanding population. While the federal share of the projects has been essential in order to move forward, the total project costs have been $30 million.

Even though the need for Kings Bay area governments to receive special assistance was recognized early on, fiscal year 1987 support has become even more critical as a result of increases in the official population planning estimates approved and released by the Navy and KBICC last October. These latest projections significantly increased earlier Navy-related population estimates for the region by an additional 5500 people. In addition, fiscal year 1987 becomes more critical due to the fact that $301,000 has been cut from our FY 86 appropriations as a result of the Gramm-Rudman-Hollings legislation.

I think if you examine earlier committee testimony you will indeed realize that our projects have historically been modest in scope, and yet as a result of the recent Gramm-Rudman budget reductions we must now decide which of our projects will be eliminated or scaled back.

Another factor adversely affecting our ability to provide needed governmental services is that Naval Submarine Base, Kings Bay, is acting like a sponge that soaks up all available contractors within our region. Consequently, recent bids on local community impact assistance projects have been extremely limited in number and more expensive than estimated.

Mr. Chairman, when all of your facilities are in desperate need for expansion, your equipment is being run to death, and your taxes are increasing yearly, decisions to cut or scale down projects become difficult. Accordingly, we have vigorously sought funding for needed projects from all possible sources, and we will continue this practice. However, we do need your help more than ever before to provide the services demanded by our increasing Navy-related population growth.

For a point of reference, I remind you that Camden County's entire population prior to the establishment of the Naval Submarine Base, Kings Bay, was approximately 12,000 persons, and yet we are now preparing to serve a population in Camden County of 39,000 by 1995.

Today, I want to reassure members of this committee of our efforts to hold project costs to a minimum and to present only the most credible projects for your consideration. Accordingly, I would like to extend an invitation to the members of this committee to visit the Kings Bay area.

I think you would be proud of our progress and impressed by the cost effective manner in which expanded governmental facilities are being constructed locally to serve a growing military-related population. We would be delighted to work with your staff on the arrangements for such a visit.

Early in the community impact assistance planning effort, schools were projected to be one of the most critically impacted services we would address. Accordingly, today I am pleased to introduce to you a colleague of mine, Camden County Superintendent of Schools, Mr. Gene Brewer.

[Mr. Mitchell's statement follows:]

STATEMENT OF
HONORABLE DONALD MITCHELL
CHAIRMAN, KINGS BAY IMPACT COORDINATING COMMITTEE
MAYOR, CITY OF WOODBINE, GEORGIA
REPRESENTING THE KINGS BAY IMPACT COORDINATING COMMITTEE
BEFORE THE
SUBCOMMITTEE ON MILITARY CONSTRUCTION
OF THE
COMMITTEE ON APPROPRIATIONS
UNITED STATES HOUSE OF REPRESENTATIVES
ON
THE FISCAL YEAR 1987 MILITARY CONSTRUCTION APPROPRIATION
MARCH 20, 1986

Good Morning. Mr. Chairman, each of your Committee members has previously been given a copy of my testimony for today's hearing, including our annual Executive Summary of proposed Community Impact Assistance Projects. In addition, the Committee's staff has received a complete report on the development and details of each FY 1987 project and this information is available for your review. In the interest of time, I will only highlight a few items contained within this material.

Today marks my fourth appearance before your Committee and I am proud to report that progress is being made within the communities surrounding the Kings Bay installation. However, without the past support and commitment of this Committee, local capabilities to accommodate our increasing military-related population would have been severely limited.

Since 1984, some $19 million federal dollars have been authorized and appropriated for 36 governmental projects required to serve the expanding population. While the Federal share of the projects has been essential in order to move forward, the total projects costs has been $70 million dollars.

Even though the need for Kings Bay area governments to receive special assistance was recognized early on, FY 1987 support has become even more critical as a result of increases in the official population planning estimates approved and released by the Navy and KBICC last October. These latest projections significantly increased earlier Navy-related population estimates for the region by an additional 5,500 people. In addition, FY 1987 becomes more critical due to the fact that $301,000 has been cut from our FY 1986 appropriations as a result of the Gramm-Rudman-Hollings Legislation.

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Another factor adversely affecting our ability to provide needed governmental services is that Naval Submarine Base, Kings Bay, is acting like a sponge that soaks up all available contractors within our region. Consequently, recent bids on local Community Impact Assistance projects have been extremely limited in number and more expensive than estimated.

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Early in the Community Impact Assistance planning effort, schools were projected to be one of the most critically impacted services we would address. Accordingly, today I am pleased to introduce to you a colleague of mine, Camden County Superintendent of Schools, Mr. Gene Brewer.

STATEMENT OF GENE BREWER, SUPERINTENDENT, CAMDEN COUNTY SCHOOLS

Mr. **BREWER**. Mr. Chairman, and members of the committee, let me take just a moment of your time to speak with you about the efforts to provide educational facilities and programs to serve our new Navy neighbors in Camden County. Without your help we simply cannot keep up with the student population increases presently being experienced as a result of the buildup at Naval Submarine Base, Kings Bay.

For instance, since the base opened in 1979, the Camden County Board of Education has undertaken an extensive building and renovation program. Solely as a result of enrollment increases due to Navy growth, in January of 1982, we opened a new middle school paid for entirely by local and State of Georgia funds. The capacity of this school was to have been 875 students, however, today we have over 1,000 students enrolled.

Our elementary schools in Kingsland, St. Marys, and Woodbine have undergone extensive renovations, including the addition of new gymnasiums in Kingsland and St. Marys. Nevertheless, due to the large number of elementary aged children moving to our area, these two gyms have never been utilized for anything other than classrooms, each holding six classes simultaneously every day.

In 1984, a new elementary school was funded jointly by federal and local funds. I am pleased to report that this school will be ready to open prior to the beginning of our next school year in August. Last year you appropriated $3 million to be combined with local and state monies for construction of an additional $5 million middle school in Camden County.

Now, while you may be impressed with the amount of school construction going on within our area, let me assure you that it is needed. From the end of school in May of last year until the beginning of our current school year in August, our system enrollment increased more than 500 students. These gains in enrollment are even more significant when you pause to realize that our school system was actually losing students prior to the arrival of the Navy at Kings Bay in 1979.

Looking to the future, the fiscal year 1987 budget includes funds for the design and site preparation of another elementary school for Camden County. The State of Georgia has appropriated $7.7 million for school construction in Camden County since the Navy buildup began.

In addition, our local school system's operations and maintenance monies continue to escalate each year. As a matter of fact, since 1979, a 186 percent increase in operations and maintenance expenses has occurred. Consequently, I request your approval of the proposed elementary school funding for fiscal year 1987 with the understanding that this project will reappear in FY 88 for the total funding necessary to construct and equip the facility.

Mr. Chairman, you may be certain that we will continue to do all that we possibly can to provide quality education for students within the Kings Bay area, including providing local and state funding for school operations, maintenance and construction when possible. However, I stress once again, that we must have your help in order to provide quality education for the children of our new Navy friends.

[Mr. Brewer's statement follows:]

STATEMENT OF

HONORABLE GENE BREWER

SUPERINTENDENT, CAMDEN COUNTY SCHOOLS

REPRESENTING THE KINGS BAY IMPACT COORDINATING COMMITTEE

BEFORE THE

SUBCOMMITTEE ON MILITARY CONSTRUCTION

OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES HOUSE OF REPRESENTATIVES

ON

THE FISCAL YEAR 1987 MILITARY CONSTRUCTION APPROPRIATION

MARCH 20, 1986

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August, our system enrollment increased more than 500 students. These gains in enrollment are even more significant when you pause to realize that our school system was actually losing students prior to the arrival of the Navy at Kings Bay in 1979.

Looking to the future, the FY 1987 budget includes funds for the design and site preparation of another Elementary School for Camden County. The State of Georgia has appropriated some $7.7 million dollars for school construction in Camden County since the Navy build-up began. In addition, our local school system's operations and maintenance monies continue to escalate each year. As a matter of fact, since 1979, a 136% increase in operations and maintenance expenses has occurred. Consequently, I request your approval of the proposed elementary school funding for FY 1987 with the understanding that this project will reappear in FY88 for the total funding necessary to construct and equip the facility.

Mr. Chairman, you may be certain that we will continue to do all that we possibly can to provide quality education for students within the Kings Bay area, including providing local and state funding for school operations, maintenance and construction when possible; however, I stress once again that we must have your help in order to provide quality education for the children of our new Navy friends.

Mr. HEFNER. Mr. Thomas, is Kings Bay in the area where there is a lot of swampland?

Mr. THOMAS. No sir. As you know it is located, adjacent to the National Seashore of Cumberland Island, which is a pristine barrier island, and adjacent to some of the finest timber produced in South Georgia, as well as marshes that are so valuable and productive it is hard to describe their value. Incidentally I have sent an explanation about all of that to some unnamed Navy gentleman who did confuse our area with a swamp. I have offered to take him to an actual swamp and show him the great difference.

Mr. HEFNER. There is no comparison between Okeefenokee and Kings Bay?

Mr. THOMAS. Absolutely not.

Mr. HEFNER. I have a couple of questions for the record, but you are requesting $150,000 for park improvements to two locations. Could you give a little bit of information about that?

Mr. THOMAS. I would like the Chairman of the Impact Committee to respond to your question.

Mr. HEFNER. That is for two locations.

Mr. MITCHELL. I believe you are referring to the recreational projects for Fernandina Beach and Nassau County. Those areas were identified in the early Navy impact studies which recognized that because of the nature of the area, Nassau County was going to be a heavy area used by the military for recreation. So it was recognized early that community impact funds would be needed for recreation projects due to the increased use by the military in that area.

Mr. HEFNER. As I understand it, because of the tremendous amount of construction going on in Kings Bay, for the government, that it is using all the capacity for contractors in the area. They really don't care about doing it as much as the more lucrative work for the government.

Mr. THOMAS. Yes sir.

Mr. MITCHELL. Yes sir, and as an example, the City of St. Marys recently put out an approximately $4.5 million sewer project. They received only one bid—$3 million over budgeted cost.

Mr. HEFNER. That gives me some cause for alarm then. We may be overpaying some construction we are doing. We might look into this because if it is so lucrative all the work they want to do is for the government, because I feel sure that you pay a fair price for construction in the private sector. That gives me a little bit of cause for alarm.

Mr. THOMAS. Let me just respond, if I could, Mr. Chairman, being familiar with the whole area. Of course, Jacksonville is some 50 miles to the south, and one of the reasons this site was one that everyone agreed to because it was basically a small population community, and could accommodate this kind of growth without a tremendous impact on the already existing infrastructure. So there is a balance there.

At the same time, though, most of the contractors who come to Kings Bay come from outside of the State of Georgia and from the other end of the state. This is probably somewhat reflected in the lack of bidding. You wouldn't have this if you were sitting in the middle of Atlanta or the middle of Jacksonville where you might have more competition for your bids.

I am just throwing that out as a possibility because I don't know if that is exactly the reason, but I do think it has something to do with the fact we are not a large community.

Mr. HEFNER. Mr. Edwards.

Mr. EDWARDS. No questions.

Mr. HEFNER. Mr. Lowery.

Mr. LOWERY. No questions.

Mr. THOMAS. Mr. Chairman, this is Mayor Ward Hernandez, Mayor of St. Marys. He would like to make a comment.

Mr. HERNANDEZ. As far as the water and sewer system in the City of St. Marys, we bid that. We did run over $3 million of what we had budgeted for it. So the city at that time, took it on its own to build that system. We hired people and did subcontracting and so forth, so we could keep it within budget, and we are doing that. We are going to build it with the money that we have. We couldn't get a contractor, so we are doing it ourselves.

Mr. HEFNER. Thank you, gentlemen.

Mr. THOMAS. Thank you, Mr. Chairman.

Mr. HEFNER. Next is Colonel David Palmer of the Reserve Officers Association.

STATEMENT OF COLONEL PALMER, RESERVE OFFICER ASSOCIATION OF THE UNITED STATES

Colonel PALMER. I would like to thank you for the opportunity of being here this morning, Mr. Chairman.

Instead of taking up individual projects, I would like to make some general points out of my testimony, and I would like to explain why we supported full funding of Guard and Reserve requests in this budget, in spite of the funding constraints that we have heard about all morning and previously.

First, the favorable bidding compliment has deteriorated as existed in the last few years, and for instance, the Air Force Reserve, they only have 80 percent 87 percent of the available funds after the Deficit Reduction Act cut of 4.9 percent was made, and the general reduction of 7.8 percent from last year.

But the bids have been coming in at 103 percent of the programmed funds, so we see that despite all efforts they make to management changes and all to accommodate this shortage that there probably will be some impact into projects and in some cases it is going to cost money for redesign.

If we look at the transfer of equipment it made to the Army alone, since 1980 there has been $1.6 billion either new equipment or equipment flow through from the Army. Transfers to the Reserves. This is similar in all of the Services. There is a need to house and maintain that. If we are going to maintain our combat capability, we have to accommodate that equipment and those people.

The reason for these transfers is largely to save money. We transfer force structure to the Reserves to save money, and I think everyone agrees that there are various degrees of savings anywhere from 80 percent to 40 percent depending on the mission and the

Service. If we then go in and make another cut in the mission after it has been transferred to the Reserves, we are double dipping and you can't help but hurt combat capability.

The Reserve and Guard military construction request is only five percent—it is actually less than five percent of the total request that you have. In the case of Navy Reserve, it is 2.4 percent. We feel that when they have that small percentage of the total construction, and when we have already made savings by putting the missions in the Reserves and the Guard, that they have to have full funding or we are just going to have to cut the combat capability.

Thank you, Mr. Chairman.

[The statement of Colonel Palmer follows:]

STATEMENT

BY THE

RESERVE OFFICER ASSOCIATION OF THE UNITED STATES

FOR THE

SUBCOMMITTEE ON MILITARY CONSTRUCTION

HOUSE APPROPRIATIONS COMMITTEE

CONCERNING FY87 MILITARY CONSTRUCTION APPROPRIATIONS

20 MARCH 1986

Statement of Colonel David G. Palmer, USAF(Ret.), Director Air Force Affairs of the Reserve Officers Association of the United States, before the House Appropriations Subcommittee on Military Construction, concerning Military Construction appropriations for Reserve Forces for Fiscal Year 1987, given on 20 March 1986.

Mr. Chairman and Members of the Committee:

ROA would like to express appreciation to this committee for their continuing support of Guard and Reserve military construction. In particular, we are most pleased at last year's action which put a stop to the senseless GSA policy requiring one military department to obtain funding through the full budgetary process in order to obtain excess property from another military department. This Congressional action restored the long-time common sense policy, supported by 10 USC 2571a, providing for the interservice transfer of excess military property at no cost to other military departments having need for it.

I would also like to bring to the attention of this committee a recently imposed DOD policy which adversely, and specifically, affects Reserve and Guard military construction. Assistant Secretary of Defense (Reserve Affairs) memorandum of 2 August 1985 directed that planning and design requirements for Reserve and Guard military construction projects be 65 percent complete prior to budget submission. The existing Congressional requirement for planning and design completion is 35 percent. The stated rationale was that the higher figure was necessary to "...insure timely bid openings, accurate budget estimates, and easier execution."

This unilateral action by DOD drives all Reserve and Guard military construction programs our of synchronization with the Active Force programs, all of which adhere to the Congressionally mandated 35 percent level. This action makes integrated total force military construction planning, under the DOD Planning, Programming and Budgeting System (PPBS), extremely difficult, if not impossible, particularly given the Congressional trend towards two year authorizations. Not only does this higher level of design completion require expenditure of significant funding before supported projects have been approved during the project year budget review, it also requires the budgeting of scarce funds before they are needed. Even worse, a greater amount of money will be lost if, for any reason, a project is scrubbed.

In view of the problems noted, ROA questions the desirability for this unilateral action which impacts only on the Reserve and Guard. We also question the need! For example, the Navy was commended by OSD in FY85 for achieving a 99 percent execution rate in Marine Corps and Naval Reserve Military Construction. How much better can program execution be attained?

MILITARY CONSTRUCTION ARMY RESERVE (MCAR)

Many of the Army Reserve facilities are old, inefficient, and too small to accomodate the training, storage, and administration of the Reserve force structure. The FY87 budget request for MCAR will support construction of nine new Reserve centers, two equipment concentration sites, one specialized training facility for intelligence personnel, two local training areas, and the modernization and expansion of ten other centers.

The favorable bidding climate that the MCAR program experienced during the early 1980's period has deteriorated. In FY84, the program averaged 7.5 bidders and savings of 18 percent per project. The experience for FY85 was 6.4 bidders and savings of 5 percent. The depicted trend suggests that savings for FY86 will not materialize or bids will exceed the program authority.

Significant progress has been made in obtaining substantial quantities of more equipment for the Army Reserve. Since 1980, the Army Reserve has received over $705 million in dedicated procurement funding as a result of Congressional and OSD initiatives. This is in addition to redistribution of Active Component equipment and equipment valued at $931 million from the Army procurement system. This equipment must be housed and maintained.

The Army Reserve has seen an increase in Paid Drill Strength of over one hundred thousand Reservists within the last seven years. Full time Support personnel have doubled in the past few years. The quality and adequacy of the Army Reserve facilities have a direct bearing on their ability to attract and retain quality soldiers; train them properly; and store, safeguard and maintain the equipment.

The Army Reserve has an outstanding record of successfully awarding contracts on every project authorized and funded by the Congress. ROA supports the Army Reserve FY87 request for $86.7 million to construct 25 major projects.

NAVAL AND MARINE CORPS RESERVE

As the Chief of Naval Reserve and the Deputy Chief of Staff, Marine Corps Reserve Affairs, have testified, maximum use of existing facilities is being made; however, the physical plant is badly and ever-increasingly deteriorating. The Navy and Marine Corps Reserve Military Construction (MCNR) budget has been chronically under-funded because, as is the case throughout DOD, such Reserve Construction is almost always found at the lower priority level. For example, the FY 1987 Navy MILCON Request totals $1.86 billion; MCNR totals only $44.5 million, or approximately 2.4 percent of the active force request.

Unless many of these Reserve facilities are replaced, renovated or upgraded, the adverse effect on personnel and training will increase and retention will deteriorate. Naval Reserve planners have unofficially stated that a minimum of $60 - 70 million in Naval and Marine Corps Reserve Construction funding is urgently needed in FY 1987. This year's request of $44.5 million represents a recent minimal overall trend in the proper direction, although the FY 1987 request is down from the $51.8 million requested last year. (The FY 1985 request, adjusted for transfer of funds from MCON to MCNR, was $31.6 million and the FY 1984 request was for $24.8 million.) Nevertheless, the amount requested represents only six percent of the FY 1987 existing construction backlog in the Naval and Marine Corps Reserve of $732 million (up from $709 million last year, and up a whopping $442 million since FY 1982.) -- an obviously very unsatisfactory situation.

Additionally, Congressional Appropriations action last year did not help the already bad situation. FY 1986 MCNR funding was reduced to $41.8 million, down $10 million from the amount requested. This reduction was based on a supposed $10 million savings from lower than anticipated bids on advertised projects. As is often the case, these savings were illusory since necessary contract modifications drove the final figures close to the level originally estimated by the Navy. In other words, the original bids in question, (in particular, an NRF ship pier at Treasure Island) were unrealistically low. Accordingly, FY 1986 Congressional action simply reduced an already inadequate request by $10 million -- hardly the way to successfully attack a Reserve construction backlog which is growing by leaps and bounds each year.

Currently, there are 234 Naval Surface Reserve sites throughout the country; 99 (42 percent) are substandard. The number and percentage of substandard facilities are up from last year's 87, and 37 percent, respectively. If major efforts are not made to attack the construction backlog, this figure is simply going to become worse each year. The substandard facilities are generally the multiple Quonset and Butler huts with connecting frame headhouse typical of the mass construction undertaken for the Reserve program in the last 1940s. As the Butler and Quonset huts had an economic life of 20 to 25 years and with construction funds simply not available to replace them, those structures now have a high maintenance cost, degraded appearance and most critical of all, they are inefficient and ineffective training sites.

There are six Naval Air Stations, two Naval Air Facilities and 15 other Naval and Marine Corps Air Reserve sites. Four of the six Naval Air Stations were designed and constructed during World War II and now show the impact of block obsolescence. This obsolescence is due to the use of design and material "for the duration only" which does not permit flexibility to upgrade the facilities to adequately meet today's support and training equipment requirement. Today's aircraft are larger, heavier and more sophisticated. Therefore, the facilities constructed during WWII, if adaptable at all, are not adaptable to current requirements without excessive cost. However, we are pleased to note that the FY 1987 budget submission contains some funding as a start to attacking the obsolescence problem at NAS Willow Grove, NAS Glenview and NAS Whidbey Island.

Additionally, seven Naval Air Reserve activities are located on Active Naval Air Stations and generally have been relegated to excess facilities with problems similar to the four WWII vintage Reserve Naval Air Stations.

Mr. Chairman, the FY 1987 MCNR program is appended. ROA has reviewed and concurs with the projects contained in this program. However, there are several vital projects which are not addressed. Accordingly, I also have appended a listing of essential construction projects which have not been included in the FY 1987 budget request, and for which sufficient planning and design have been completed to be deemed executable in FY 1987.

Additionally, ROA strongly supports the initiative of the Naval Reserve Association to construct replacement enlisted quarters (BEQ) at NAS Glenview ($3.95 million), NAS South Weymouth ($3.4 million) and NSA New Orleans ($3.9 million). Including planning and design funding of $.9 million, these projects will require an add-on of $12.15 million. In addition to the problem of unprogrammed funding, Congressional action also will be required to waive the normal 35 percent planning and design completion requirement. At each location, our enlisted personnel are currently housed in rapidly deteriorating WWII "temporary Splintervilles." The adverse impact of such housing on enlisted morale is obvious and, unless something is done to attack the problem (construction backlog, again), these living conditions will only grow worse. This is a "quality of life" issue which must be undertaken if we hope to attract and keep the quantity and quality of enlisted personnel needed at these, and other, Reserve activities. Replacement BEQ action at these activities would signal a start on this long neglected program.

Quite obviously, it would be impossible to appropriate sufficient funds to correct all noted deficiencies. However, it is also obvious that the requested $44.5 million is insufficient. Congressional "add-ons" over the past several years have prevented even more severe problems in this area. Again, Congressional action is needed this year.

We recognize that FY87 will be an exceptionally bad year to request additional funding. Given the budgetary constraints currently facing the Congress, it will be difficult enough to maintain the budget at the requested level. However, unless Congress directs and supports positive action in the Guard and Reserve construction program, funding will wither away as the financial climate worsens. The Guard and Reserve will continue to receive the usual two or three percent of an overall decreasing military construction program. Given the current unsatisfactory conditions of many Guard and Reserve facilities, as indicated by the rapidly rising construction backlogs and continued required usage of many WWII "temporary" buildings, ROA submits that strong Congressional action is needed -- and needed to start now!

Mr. Chairman, in order to accomplish the projects submitted by the administration; to accomplish those essential unbudgeted projects which we have submitted; and to accomplish a modicum of reduction in the construction backlog, ROA urges addition of $55.5 million and approval of a FY 1987 Navy and Marine Corps Reserve Construction Program totalling $100 million.

Department of the Navy
Military Construction, Naval Reserve - FY 1986
STATE LIST
(Dollars in Thousands)

State	Proj. No.	Installation Project & Project	Cost
Illinois		NAS Glenview	
	P-920	Air Reserve Technical Training Building	2,200
	P-117	KC-130 Parking Apron	1,900
		NRC Great Lakes	
	P-009	Assault Craft Unit Maintenance Facility	700
		Subtotal	4,800
Louisiana		NMCRC New Orleans	
	P-052	Reserve Center Alterations	700
	P-366	Approach Lights	2,200
		Subtotal	2,900
Michigan		NMCRC Saginaw	
	P-001	Reserve Training Building	3,600
		Subtotal	3,600
Nevada		NMCRC Las Vegas	
	P-895	Reserve Center Addition	1,000
		Subtotal	1,000
Ohio		NMCRC Youngstown	
	P-232	Reserve Center Building	3,600
		Subtotal	3,600

Pennsylvania		NAS Willow Grove	
	P-190	Aircraft Maintenance Hangar	8,000
		Subtotal	8,000
Texas		NAS Dallas	
	P-181	Approach Lights	2,400
		Subtotal	2,400
Washington		NAF Whidbey Island	
	P-023	Aircraft Maintenance Hangar	6,100
		Subtotal	6,100
		Subtotal Major Construction	32,400
		Various Locations:	
		Projects Under $400K	5,300
		Minor Construction (unspecified)	1,500
		Design	5,300
		Grand Total	44,500

[3]ADDITIONAL PROJECTS EXECUTABLE IN FY 1987

Priority	Location	Description	Cost ($000)	% Design
1	NAR Memphis, TN	Aircraft Maint Hangar	4,400	100
2	NAS South Weymouth, MA	Trng Maint Bldg	1,600	20
3	Hartford, CT	Purchase Reserve Center	500	N/A
4	NAS Willow Grove, PA	Operations Terminal	1,600	15
5	NAS Willow Grove, PA	Reserve ASW Tactical Bldg	1,800	15
		Subtotal	9,900	
6	VARLOCS	MINOR MCNR		
	- NAS Dallas, TX	Fire Protection Bldg 12	170	100
	- MCRC Texarkana, TX	Combat Vehicle Maint Facility (CVMF)	270	100
	- AFRC Folsom, PA	CVMF	195	100
	- NAS Dallas, TX	Fire Protection Bldg 11	136	100
	- NAS Atlanta, GA	Air-conditioning upgrade avionics shop	170	0
		Subtotal	941	
		Total	10,841	

AIR FORCE RESERVE

The Air Force Reserve (AFR) has established new standards of combat readiness and effectiveness this year as demonstrated by its winning a triple crown in Air Force worldwide flying competitions. Its excellence has been recognized by the Air Force and the Congress and many new missions have been assigned to this cost effective and combat ready component.

We ask that you support these new missions by approving the military construction programs associated with them. Approximately 89 percent of the AFR request is necessary to support newly assigned missions and aircraft conversions. Only 11 percent is for replacement and modernization of existing facilities. Significant savings are made when force structure is shifted to the Reserve components; we ask that you not "double dip" these savings by applying across-the-board cuts to the AFR military construction request. To do so can only result in reduced readiness and capability for the total force.

For example, in FY 1986 a general reduction of 7.8 percent was levied on the AFR. In addition, the Emergency Deficit Control Act required a 4.9 percent reduction. Therefore, only 87 percent of the approved program amounts are available, but bidding experience to date has shown an average of 103 percent of programmed amounts. It is doubtful that even stringent management actions can prevent delay of some projects.

The AFR will modernize and expand in C-5 equipped units, C-141 equipped units, C-130H units, and F-16 units in FY 87 and beyond. However, this is only part of the program. There will be significant growth in the support unit area including Aerial Port, Medical, and Civil Engineering units. Sixty-four percent of the Aeromedical Evacuation units and 60 percent of the Aircraft Battle Damage Repair capability is in the AFR.

The projects in this year's request for $49,760,000 are urgently needed to satisfy the requirements of the AFR's modernization and expansion. Design of the FY 1987 MCP is well under way and the AFR estimates that a majority of designs will be 100 percent complete by October 1, 1986.

In summary, with your continued understanding and support, the Air Force Reserve will continue to provide a superb, cost effective, combat ready, fighting force. Exercises and real world contingencies have proved that all AFR units can mobilize in 24 hours and deploy within 72 hours. The AFR is ready, better and stronger than ever before; we ask that you provide the resources to keep it that way.

Mr. HEFNER. No questions.

Thank you, sir.

Our next witness is Sergeant Major McKinney of the Non Commissioned Officers Association.

If you can summarize your statement, your entire statement will be part of the record.

STATEMENT OF SERGEANT MAJOR McKINNEY (U.S.M.C. RET) NON COMMISSIONED OFFICERS ASSOCIATION

Sergeant McKINNEY. I certainly will. Thank you very much opportunity to appear here today, and I want to, first of all, commend the committee for the great assistance that has been provided in improving the quality of life programs for our people. I think it has much to do with the fact that we have good quality people remaining in the military service today.

In fact, I was surprised at when visiting the military installations when I retired 15 years ago, that people look today much better than I would have ever anticipated. I think we have got one of the greatest groups of people in the military today that we have ever had in the peacetime history of our nation.

I know it is tough to make decisions under Gramm-Rudman-Hollings and so I kind of made a bare bones request of the subcommittee in my prepared statement, Mr. Chairman. I do recommend heartily that we take care of the people program. We have got good people, let's don't lose them. We have put billions and billions of dollars, as I understand, in an increase of some 56 percent in programs since the All Volunteer Force, to give us the quality of people we have today, and I think people programs are important.

Of course this subcommittee does rule on the funding for peoples programs and I think that these need to be looked at and given priority over some of the other systems, weapons systems, in particular that don't work very well, but if nothing else, to provide sufficient funds to sustain the current cost of maintaining and operating our current housing program.

I would also like to recommend again that we think prefab, which reduces the cost of funding, stick built homes, waiting two to three years for stick built homes does not relieve the problem now. We can get those people in. I was out to Fort Irvin and visited out there and talked with the Sergeant Major and went out to look at those prefab homes they have got out there. The troops are really pleased with them. They are in there in a short period of time and people can move into them.

Mr. Panetta speaks better about having what we-call geographic bachelors at Fort Ord. They can't bring their wives with them for one reason—simply I suppose mostly at Fort Ord, because of the renting problems and shortage of housing.

But we also have pleasing examples, like Fort Bragg and Camp Lejeune and Camp Pendleton, where we have deployable units and a lot of these people stay six and seven months at a time deployed throughout the Pacific and Atlantic, and it doesn't make for a good home life, so they come to leave their families someplace else and move there and the quarters that they have are not the best that could be provided. We think that perhaps a little more prodding from that subcommittee may take the services into a position of looking into this area and providing better bachelor quarters.

And the last item, Mr. Chairman, is we did mention section 6 schools in our statement. There appears to be a move to try to transfer these schools over into either the state or district school programs and we would like to ask the subcommittee to go very cautiously in this area in funding any transfer of schools. There is a study that will be provided by GAO and one by the Department of Defense and I think that the one from GAO, if I am not mistaken, will have some problems in their transferring of these schools over. So, in that respect, I ask the subcommittee to take a look at that and proceed cautiously with funding any transfers.

I stand ready for any questions.

[The statement of Sergeant McKinney follows:]

THE NON COMMISSIONED OFFICERS ASSOCIATION OF THE UNITED STATES OF AMERICA

"STRENGTH IN UNITY"

STATEMENT OF

Sergeant Major C. A. (Mack) McKinney USMC Ret.
Legislative Counsel

before the

SUBCOMMITTEE on MILITARY CONSTRUCTION
COMMITTEE on APPROPRIATIONS
U.S. HOUSE OF REPRESENTATIVES
99th CONGRESS, SECOND SESSION

on

PROPOSED FY 1987 MILITARY CONSTRUCTION APPROPRIATIONS

March 20, 1986

NATIONAL CAPITAL OFFICE
219 N. Washington Street • Alexandria, VA 22314 • Tele: (703) 549-0311

Mr. Chairman. I am Sergeant Major C. A. (Mack) McKinney USMC Retired, Legislative Counsel for the Non Commissioned Officers Association of the USA (NCOA). NCOA is the largest enlisted quasi-military organization in the Unites States. It has a membership in excess of 185,000 noncommissioned and petty officers, most of them on active duty with the armed forces of the United States.

On behalf of my association I express appreciation for the invitation to appear today before your distinguished subcommittee concerning the proposed Fiscal Year 1987 Military Construction Appropriations. Further, that appreciation extends to cite the past years during which your subcommittee has excelled in improving quality-of-life programs for the military community. Each of the subcommittee's membership and staff may be proud of his or her contribution. That contribution, Mr. Chairman, has had much to do with the current status of our military manpower picture. Through quality-of-life improvements, many as a result of this subcommittee's efforts, the military has been able to retain high-quality, better-educated, and skilled men and women to man our armed forces. The end result is a uniformed manpower readiness never before enjoyed in peacetime by the United States.

The question now is whether Congress wants to allow that readiness to diminish to a less-than-ready status because of the "Gramm-Rudman-Hollings (G-R-H)" balanced budget measure? It's difficult to believe that after spending billions of dollars in improving people programs, there's a greater-than-even chance those programs will suffer from lack of funds in FY 1987 and beyond. More disturbing, however, appears to be an even-greater chance the G-R-H will force many of those who've benefited from this subcommittee's gracious work out of the military services.

If Congress fails to authorize and fund nearly the full amount requested for the military personnel account, the loss of manpower could be significant, and adversely so. A concerned NCOA will seek the sacrifice of procuring some strategic weapons and naval ships in FY 1987 in order to sustain the current forces at FY 1986 end-strengths. NCOA believes it's important to keep quality personnel over weapons or ships that haven't yet proved their worth or couldn't be manned if floated.

What has all of this to do with this subcommittee? Probably quite a bit. If military personnel end-strengths are dramatically reduced, how will if affect the Military Construction request? For example, if the military services have to cut their strengths by 5 percent, there'll be 108,000 less servicemembers in FY 1987 than in FY 1986. Will the demand for housing and quality-of-life improvements be less? Will the request for facilities be greater?

NCOA believes the real demand, coupled with imposed G-R-H cuts will cause new family housing and facility construction to be delayed or placed on the back-burner for review later on. If this occurs, NCOA urges the subcommittee to continue supporting family housing operations, maintenance, leasing, etc., at a rate at least commensurate with that of FY 1986 plus any inflationary increase required for FY 1987.

Further, the association continues to recommend the use of manufactured homes to replace stick-built homes rather than have a reduction in the latter due to lack of funds. "Prefab" homes are as welcome to servicemembers and their families as are more expensive stick-built homes simply because they're needed and needed now- not tomorrow.

VHA

NCOA has been alerted by its membership in New York that many of them and their comrades-in-arms are not adequately compensated for housing costs. The problem exists with the amount of Variable Housing Allowance (VHA) authorized in that area.

New York, NY is one of the most expensive areas in the United States in which to live. Yet, VHA rates for selected pay grades drawing BAQ at with dependents" rates (as of Jan. 1, 1985) indicate New York falls far behind other areas. (See following table:)

Place	E-3	E-4	E-5	E-6	E-7
New York, NY	$98.25	$105.47	$117.03	$128.34	$160.79
Austin, TX	147.98	152.92	169.36	183.41	184.41
Willow Grove, PA	145.24	165.58	179.73	192.90	215.87
Ft. Monmouth, NJ	202.94	211.43	219.14	258.52	255.52
Seattle, WA	180.53	115.61	127.56	147.70	168.47
Washington, D.C.	180.53	175.09	199.16	215.41	234.17
San Fransico	273.59	263.93	313.97	312.66	356.27
Atlanta, GA	112.34	115.46	119.01	125.68	164.41
Boston, MA	177.88	175.57	189.22	206.10	236.65

In reviewing the above rates, it appears that servicemembers assigned to New York City are not offered a substantial VHA or are expected to reside in substandard housing. Hopefully, this subcommittee will be able to query the Defense Subcommittee on this apparent inequity so that the Dept. of Defense will be a bit more realistic in assigning VHA rates to high-cost areas.

If DoD doesn't want to provide adequate rates, then it should be directed to come to this subcommittee with a request for additional leasing. Our military personnel deserve decent living quarters. When assigned to areas where there isn't sufficient governmental-furnished housing, servicemembers should be provided leased housing of equal or better quality or VHAs that better compensate them for living in the civilian community on a civilian economy. Civilians, for the most, have the choice of moving away. The servicemember is restricted from choosing a new residential location because he on she was ordered to that military assignment.

SECTION 6 SCHOOLS

Following the passage of last year's authorization act and the subsequent publicity concerning section 6 schools, NCOA was contacted by its auxliary unit at Fort Knox, Kentucky. The unit's membership complained of the possible future of their school being transferred to the local county school district. The membership's principal objection is targeted toward the quality of education claiming that the section 6 schools on the Fort Knox military installation provide better instructions for its students than local civilian schools. Further, the higher quality education prepares military dependent children for permanent change of station moves that bring those children into schools with more advanced curriculums.

The subjection of military children to suffer lesser educational benefits to accommodate federal appropriations, or whatever reason, is not in line with this subcommittee's more favorable attitude toward people programs. Hopefully, the chairman will proceed with due caution in this matter when and if funding is requested for such transfers. Military dependent children must not be used as pawns simply to comply with an outdated statute.

NEW HOUSING & FACILITIES

Mr. Chairman. NCOA finds itself at loss to recommend new construction and to prioritize what programs should have prescedence over the others. The G-R-H legislation leaves too broad of a spectrum to cover within the association's capabilities. However, NCOA believes this subcommittee, as in the past few years, will continue to fund construction of new housing and facilities based on real need.

The association has full faith and confidence that the subcommittee will address those issues that are of concern to our enlisted personnel. They are listed below in the order tallied through the association's continuing surveys of military personnel conducted throughout the U.S. and overseas.

1. Family Housing
2. Enlisted Bachelor Housing @
3. Work Facilities
4. Medical Facities
5. Schools
6. Mess Halls
7. All others (Community Centers, Child Care Centers, etc.)

-END-

@ to include unaccompained bachelor quarters.

Mr. HEFNER. Thank you, sir.

Mr. Edwards.

Mr. EDWARDS. No questions.

Mr. HEFNER. Mr. Lowery.

Mr. LOWERY. No questions.

Mr. HEFNER. Thank you for being with us.

Sergeant MCKINNEY. Thank you, sir.

Mr. HEFNER. Our final witness is General Bruce Jacobs of the National Guard Association.

General JACOBS. I will submit a full statement.

Mr. HEFNER. It will be part of the record.

STATEMENT OF MAJ. GEN. BRUCE JACOBS (RET) ASSISTANT EXECUTIVE DIRECTOR OF THE NATIONAL GUARD ASSOCIATION OF THE UNITED STATES

General JACOBS. I want to tell you how much we appreciate the opportunity to appear before you today to present the views of the National Guard Association of the United States on fiscal year 1987 military construction programs of the Army and the Air National Guard. We hope for the continued support of you all as we have had in the past, for the improving of the facilities required for the readiness training of the National Guard.

I want particularly to emphasize the importance of the requests for what is called, perhaps erroneously, but necessarily minor construction. It is not minor at all in terms of the requirements for training areas, for training improvement and for areas to secure all of this very, very vital equipment, which is being passed along to the National Guard in view of its increased worldwide requirements.

The Army Guard backlog of minor construction projects has now grown to approximately $200 million. The Army Guard budget and the President's budget requests lightly more than $30 million. In order to meet the most urgent readiness requirements, we are again asking for your support for specific lists of projects totaling $29.7 million. This list is attacked to our full statement. Any assistance in this area will have a most positive impact on Army National Guard training and readiness.

A second area of concern is the growing backlog of major construction projects. What this means is that by the end of fiscal year 1987, Army Guard will have an estimated backlog of $1.4 billion and Air Guard backlog will be just over $707 million.

General reductions in the construction appropriations based on anticipated savings on low bids did not materialize, along with the reductions imposed in fiscal year 1987 by the Deficit Reductions Act, which has been referred to a number of times here this morning as a result of deferral of several programs including several which were actually authorized but which had to be deferred. When I say authorized, authorized by the Congress.

We identified 19 Army projects, totaling $20.4 million and $19 Air Guard projects totaling $22.5 million, which have been deferred or represent the most urgent of those included in this ever growing backlog.

Finally, The Army Guard has an increasing shortage of design funds to prepared projects for growing program level in FY 88 and to advance the 100 percent reimbursable federal funding authorized last year in that rather specialized category. To help meet the shortfall, the National Guard Association is recommending an increase of $11 million in design funds, to a total of $30 million for the Army National Guard.

Mr. Chairman, we would again like to express our appreciation for your support in this committee in the past. We appreciate the enormous problem being faced this year, as you and we all attempt to reduce the federal deficit. Although we are proposing funding to support the growth and backlog, we realize it is going to be difficult to identify resources to meet those urgent requirements.

We thank you all very much for this opportunity to appear today.

[The statement of General Jacobs follows:]

NATIONAL GUARD ASSOCIATION OF THE UNITED STATES

ONE MASSACHUSETTS AVENUE, NORTHWEST • WASHINGTON, D.C., 20001 • (202) 789-0031

STATEMENT BY

MAJOR GENERAL BRUCE JACOBS (RET.)

ASSISTANT EXECUTIVE DIRECTOR

of the

NATIONAL GUARD ASSOCIATION OF THE UNITED STATES

to the

Subcommittee on Military Construction

of the

House Committee on Appropriations

20 March 1986

TESTIMONY BEFORE THE SUBCOMMITTEE ON MILITARY CONSTRUCTION
HOUSE COMMITTEE ON APPROPRIATIONS

20 March 1986

Mr. Chairman, and members of the subcommittee, I sincerely appreciate this opportunity to appear before you today to present the views of the National Guard Association of the United States on the Fiscal Year 1987 military construction programs of the Army and Air National Guard.

THE ROLE OF THE NATIONAL GUARD

This year, the National Guard commemorates 350 years of service to the community and the nation. From the first organized militia units in the Massachusetts Bay Colony in 1636 until today, the National Guard has played an important role in the preservation of the freedom of this republic. A call to duty of the National Guard has historically signified the nation's willingness to undertake the sacrifices necessary to protect that freedom.

The Guard's historical role in defense of our nation was formally recognized with the initiation of the Total Force Policy in 1970. Today, the Guard is counted upon as a full partner in the Total Force. Current national strategy has Army National Guard and Air National Guard units "on the line" alongside active counterparts in a matter of days after mobilization.

The Total Force Policy has resulted in an increased reliance on National Guard and Reserve forces. Army and Air National Guard units are tasked in war plans developed in response to defense strategy directed by our national command authorities. This nation absolutely requires a well-equipped and well-trained National Guard if it is to be fully capable of fighting and winning any future conflict.

In order for the National Guard to meet all of its wartime deployment objectives, it must be manned, equipped, trained and properly led. Transportation assets needed for overseas deployment of the Total Force must be available. If any of these requirements are neglected, the wartime capability and reliability of the Total Force will suffer. Increased personnel manning, an influx of new equipment, and intensified training demands are all the consequence of increased readiness requirements placed on National Guard units.

The National Guard Association does not recommend any reduction of the Active Army and Air Force programs in order to increase funding for the National Guard. We believe both active forces are currently smaller than needed to meet the threat to our nation, and we fully support the resources requested in the President's Fiscal Year 1987 Budget to support and operate the Army and Air Force.

The NGAUS also continues to recommend that the force structure for the Army and Air National Guard should not be expanded unless the current National Guard force is programmed to be fully resourced with adequate facilities, required manpower and modern, deployable equipment.

THE FISCAL YEAR 1987 MILITARY CONSTRUCTION PROGRAM

The Military construction Budget Request for the Army National Guard is $121,100,000. It provides:

Major Construction	$ 71,920,000
Planning and Design	19,000,000
Minor Construction	30,180,000

This program will build 16 new armories, upgrade 13 existing armories and provide for construction of 27 other major construction projects in 28 states. These funds are all badly needed in view of the current backlogs which exist in both major and minor Army National Guard construction.

The military construction budget for the Air National Guard is $140,000,000, which will provide:

Major Construction	$ 122,450,000
Planning and Design	15,420,000
Minor Construction	2,130,000

This program will provide 34 projects in 21 states at 26 installations. It encompasses three unit relocations, four projects related to new missions and 27 projects to correct facility deficiencies. The current estimate of unfunded requirements projected for the end of Fiscal Year 1987 is approximately $780 million.

The specific proposals of the National Guard Association for Fiscal Year 1987, to ensure adequate facilities are available to enhance the readiness of the National Guard, are outlined below.

CONSTRUCTION BACKLOG

The most critical facilities issue facing the Army and Air National Guard which could impact readiness is the growing backlog of unfunded construction projects. By the end of Fiscal Year 1987, the Army Guard unfunded total will have reached $1.6 billion and the Air Guard unfunded projects will total more than $780 million. The congressional reductions in appropriations during the past two years, based on anticipated savings in bids versus estimates which did not materialize, along with the impact of the Balanced Budget and Emergency Control Act of 1985, have resulted in deferral of programmed projects, adding to the backlog.

We recommend an increase in major construction of $20.4 million, to a total of $92.3 million, to add 19 projects for the Army National Guard and $22.5 million, to a total of $144.9 million, to add 19 projects for the Air National Guard.

DESIGN FUNDS

The Army National Guard is currently suffering from a shortage of design funds. The Fiscal Year 1986 design funding program for military construction projects to be built in Fiscal Year 1988, was based on an FY 1988 projected program level of $148 million. Since that time, the Fiscal Year 1988 program has been increased by $76 million and there are no design funds in the Fiscal

Year 1986 budget to support that kind of program growth. Additionally, recent changes in law now permit 100 percent federal funding of design funds for armories, with the states being required to reimburse the federal government for their share of those design costs during actual armory construction.

Both of these changes place the National Guard Bureau in a situation where they require additional design funds in the Fiscal Year 1987 ARNG military construction account. It is estimated that $11 million in total additional funds are required, resulting in a total of $30 million for Fiscal Year 1987 Planning and Design.

MINOR CONSTRUCTION

The National Guard Association appreciates the support shown by this Committee for the Army and Air National Guard construction programs, as was shown by the $47 million increase in the Fiscal year 1986 Army National Guard Military Construction Authorization and the $1.8 million increase in the Fiscal Year 1986 Air National Guard Military Construction Authorization. We regret that the Continuing Resolution Appropriation did not reflect those substantial budget increases which would have had a substantial impact on our Guard construction backlogs.

The Army National Guard Minor construction backlog is currently $200 million, an increase of over $25 million from last year. This backlog includes about 1,600 identified construction projects. The Fiscal Year 1987 Budget request includes $30,180,000 for Army Guard Minor construction projects. Most of those projects are needed to modernize weapons training ranges, to construct organizational maintenance shops and to provide armories with adequate storage buildings. The National Guard Association urges your support of an authorization for an additional $29.72 million for Army National Guard Minor Construction, for a minor construction total of $59.9 million.

SUMMARY

Mr. Chairman, in this statement I have discussed the role of today's National Guard. I have discussed the Fiscal Year 1987 Army and Air National Guard Military Construction programs, and the changes which we feel are needed to meet critical construction requirements and to significantly reduce Army and Air Guard Construction backlogs. I have enclosed lists of the specific major and minor construction projects for which we have recommended increased funding.

It is the citizen who is also a soldier who best guarantees the freedoms we as a people so cherish. Our recommendations will help ensure that that citizen is given what he needs in order to train to be an effective soldier or airman.

Mr. Chairman, we are grateful for the past support of you and the members of this subcommittee, and we look forward to your continuing support in the future. I would be happy to answer any questions.

FY 1987 ANG MILITARY MAJOR CONSTRUCTION ADD-ON PROJECTS

FY 1985 UNAWARDED PROJECTS

	($000)
- Deferred due to $10 Million unspecified reduction	
-- Medical Training Facility, Sky Harbor, AZ	900
-- Add Alter Jet Fuel Storage Facility, Fresno, CA	900
-- Upgrade Hangar 1, Glen L. Martin, MD	2,500
-- Alter A/C Engine I&R Shop, Selfridge, MI	500
-- Add to Squad Ops Facility, Rosecrans, MO	1,100
-- Fire supression System, Reno, NV	800
-- Jet Fuel/POL Refule Veh/Log, Schenecrady, NY	1,800

FY 1986 UNAWARDED PROJECTS

- Deferred due to $13.8 Million unspecified reduction	
-- Fire Suppression System, Fresno, CA	650
-- Fire Suppression System, Bradley, CT	570
-- Fire suppression System, McConnell, KS	775
-- Aerospace Ground Equip Shop, McConnell, KS	670
-- Support Equip/NDI/POL Opns, Andrews, MD	1,500
-- Alter Dorms-Energy Conservation, Phelps, MI	1,800
-- Upgrade Hangar, Hector, ND	700
-- Fire Suppression System, Tulsa, OK	850
-- O&T/Dining Hall/Med Tng, Harriwburg, PA	3,600
-- Fire Station, Memphis, TN	650
-- Fire suppression System, Kanawha, WV	1,400
-- Fire Suppression/Alarm System, Martinsburg, WV	800
TOTAL	$22,465

FY 1987 ARNG MAJOR CONSTRUCTION ADD-ON PROJECTS

STATE	LOCATION	PROJECT	COST ($000)
NC	Wadesboro	Armory	$ 681
AR	Booneville	Armory	714
CT	Camp O'Neill	Training Facility	2,189
GA	Fort Stewart	Wash Facility, Pollution Abatement	1,937
TN	Bolivar	Armory	714
TN	Milon	Training Facility	1,482
VA	Harrisonburg	Armory Addition	549
VA	Petersburg	Armory Addition	560
VA	Warrenton	Armory Addition	436
LA	Jackson Barracks	USPFO Addition	731
MI	Bay City	Motor Vehicle Service Building	437
MI	Camp Grayling	Bachelor Officers Quarters	[illegible]
MI	Maristique	Motor Vehicle Service Building	416
MN	Camp Ripley	Training Facility	2,865
MT	Kalispell	Organizational Maintenance Shop	428
SD	Rapid City	Motor Vehicle Service Building	563
WY	Camp Guernsey	Fire Station, Airport Opns	467
WY	Cheyenne	Motor Vehicle Service Building	615
NJ	Fort Dix	Armory (400-Person)	4,173
		TOTAL	$20,396

FY 1987 ARNG MINOR CONSTRUCTION ADD-ON PROJECTS

STATE	LOCATION	PROJECT	COST ($000)
AK	BETHEL	UNIT STORAGE	378
AK	JUNEAU	BOAT DOCK	312
AK	KIVALINA	SCOUT ARMORY	209
AR	CAMP ROBINSON	RANGE, SCALED TGT SYSTEM	77
AR	CAMP ROBINSON	TROOP UNIT MESS HALLS	400
AR	CAMP ROBINSON	BATTLE SKILLS COURSE	292
AR	CAMP ROBINSON	RANGE, MG TRANSITION	374
AZ	FLORENCE	RANGE, M60 MG TRANSITION	156
AZ	PHOENIX	STATE MILITARY ACADEMY	311
CA	CAMP ROBERTS	RANGE, TANK TABLE VIIC	166
CA	CAMP ROBERTS	RANGE, TANK TABLE VI	115
CA	CP SAN LUIS OBISPO	CLOSE COMBAT COURSE	221
CA	LOS ALAMITOS AFRC	ARMORY CONV./REHAB BLDG	130
CA	LOS ALAMITOS AFRC	AASF SECURITY FENCE / ROAD	134
CA	PASO ROBLES	AIRCRAFT PARKING	120
CA	RIVERSIDE	OMS MODIFICATIONS	179
CA	SACRAMENTO AASF	C-12 HANGAR	278
CA	SACRAMENTO(MEADOW)	MVSC/STORM DRAINAGE	304
CA	SAN LORENZO	OMS ALTERATIONS/ADD	155
CO	C.G. WEST	CONSL STORAGE BLDG	121
DE	BETHANY BEACH	RANGE, PISTOL	305
FL	AVON PARK	TRNG SITE WASH PLATFORMS	182
FL	CAMP BLANDING	RANGE, M16 RECORD FIRE	149
FL	CAMP BLANDING	RANGE, COMBAT PISTOL	91
FL	CAMP BLANDING	RANGE, CREW COMBAT FIRING	157
FL	PLANT CITY	OMS	384
GU	DEDEDO	USPFO ADP UPGRADE	72
GU	FORT JUAN MUNA	WEAPONS STORAGE	380
HI	PEARL CITY	CONTINGENCY STOR. SITE	128
IA	CAMP DODGE	LAND ACQUISITION	400
IA	MASON CITY	OMS	373
IL	FREEPORT	ARMORY ALT/ADD	380
IL	N. RIVERSIDE	CSMS REHAB PAINT SHOP	150
IN	CAMP ATTERBURY	RANGE,DEMO/B-TRAP/LAND MINE	145
KS	JUNCTION CITY	ARMORY MODIFICATION	400
KS	SALINAS	LAND ACQUISITION	400
LA	CAMP BEAUREGARD	OMS EXPANSION #4	232
LA	CAMP BEAUREGARD	OMS EXPANSION #5	179
LA	JACKSON BARRACKS	TACFIRE TRNG AREA	400
LA	JACKSON BARRACKS	USPFO OFFICE ADDITION	398
LA	VIDALIA	MVSC EXPANSION	132
MA	CAMP EDWARDS	RANGES, KD B-C-D-E	206
MA	CAMP EDWARDS	DEMOLITION OF 3500 AREA	253
MA	CAMP EDWARDS	LEADERSHIP REACTION COURSE	179
MA	FRAMINGHAM	OMS EXPANSION	156
MA	NATICK	DLOG & CL IX WAREHOUSE	245
MA	WORCESTER	OMS EXPANSION	150
MD	EDGEWOOD	OMS	342
MD	HARVE DE GRACE	CSMS ALTERATION	150
MD	STRAUSS	LAND ACQUISITION	400
ME	BOG BROOK	TRNG FACIL REHAB	364
ME	CAMP KEYES	USPFO ADDITION	316
MI	MIDLAND	MOTOR VEHICLE STOR BLDG	277
MN	DETROIT LAKES	OMS ADDITION/ALT #5	400
MN	MOORHEAD	MOTOR VEHICLE STOR BLDG	382
MS	CAMP SHELBY	IMPACT AREA SECURITY FENCE	380
MS	GREENWOOD	OMS	328
MT	ANACONDA	RANGE, MULTI-PURPOSE INDR	390

MT	BILLINGS	RANGE, MULTI-PURPOSE INDR	378
MT	FORT HARRISON **	USPFO WHSE/OFFICE/ADP	360
MT	GLASCOW	RANGE, MULTI-PURPOSE INDR	390
MT	GLENDIVE	RANGE, MULTI-PURPOSE INDR	378
NJ	NEWTON	RANGE, MINI TANK	86
NJ	VINELAND	RANGE, MINI TANK	91
NJ	WASHINGTON	RANGE, MINI TANK	85
NJ	WEST ORANGE	RANGE, MINI TANK	89
NY	ROCHESTER	CSMS MOD. -VENT IMPROV	120
NY	YOUNGSTOWN	RANGE, COMBAT PISTOL	82
OH	AKRON (HAWKINS)	ARMORY REHAB/ADDITION	400
OH	ASTABULA	MOTOR VEHICLE STOR BLDG	400
OH	BATAVIA	OMS #7	400
OH	CINCINATI	OMS #6	394
OH	COLUMBUS (HOWEY RD)	OMS #11 ADDITION	295
OH	EATON	OMS	399
OH	HAMILTON	MVSB	240
OK	CAMP GRUBER	RANGE, MAC	400
OK	TULSA	OMS #6	332
PA	FINLEYVILLE	RANGE, 25M BASIC BAFFLED	150
PA	FT INDIANTOWN GAP	HELICOPTER PRKG AREA	299
PA	LEBANON	MVSB EXPANSION	65
PA	PHILADELPHIA	OMS - ADMIN AREA	87
RI	WARWICK	OMS UPGRADE	184
SD	BELLE FOUCHE/STURGIS	MOTOR VEH STOR BLDG	314
SD	CUSTER	MOTOR VEH STOR BLDG	241
SD	DEADWOOD	MOTOR VEH STOR BLDG	256
SD	MITCHELL	MOTOR VEH STOR BLDG	400
SD	PIERRE	MOTOR VEH STOR BLDG	226
SD	SALEM/YANKTON/CANTON	MOTOR VEH STOR BLDG	383
SD	SPEARFISH	MOTOR VEH STOR BLDG	240
TN	CATOOSA WETS	RANGE, TANK CREW COMBAT	215
TN	CATOOSA WETS	RANGE, M203/M31/M32	162
TN	TULLAHOMA	RANGE, MINI TANK/MG/DEMO	114
TN	TULLAHOMA WETS	RANGE, FA SCALED	101
TN	TULLAHOMA WETS	RANGE, M203/M31/M32 PISTOL	222
TX	AUSTIN	USPFO OFF ADDITION	400
TX	AUSTIN	WAREHOUSE, DIV CL IX	322
TX	DALLAS	BDE FWD DSU DIV CL IX	178
TX	FORT WORTH	BDE FWD DSU CL IX	202
TX	GATESVILLE	BDE FWD DSU CL IX	202
TX	VARIOUS NORTHEAST	JSIIDS INSTALLATIONS	400
TX	VARIOUS NORTHWEST	JSIIDS INSTALLATIONS	400
TX	VARIOUS SOUTH	JSIIDS INSTALLATIONS	400
UT	WEST JORDAN	AASF C-7 RAMP & TAXIWAY	338
WI	APPLETON	MOTOR VEH STOR BLDG	355
WI	BLACK RIVER FALLS	MOTOR VEH STOR BLDG ADD	227
WI	EAU CLAIRE	MOTOR VEH STOR BLDG ADD	334
WI	FORT ATKINSON	MOTOR VEH STOR BLDG	236
WI	PRAIRIE DU CHIEN	MOTOR VEH STOR BLDG	242
WI	SPARTA	MOTOR VEH STOR BLDG	287
WI	SUPERIOR	MOTOR VEH STOR BLDG	360
WI	WAUSAU	MOTOR VEH STOR BLDG ADD	368
WV	CAMP DAWSON	ENLISTED BARRACKS ADD	378
WV	HUNTINGTON(BARBOUR)	ARMORY ADDITION/ALT	395
		TOTALS:	29720

Mr. **Hefner**. Thank you, General.

Mr. Edwards.

Mr. **Edwards**. Is there a great deal of divergence between your requests and the Administration's requests?

General **Jacobs**. No sir, there is not.

Mr. **Edwards**. Thank you.

Mr. **Hefner**. Mr. Lowery.

Mr. **Lowery**. Have things gotten better? The Guard always kind of has been a stepchild, if you will, yet the mission is of such critical importance.

General **Jacobs**. Well, sir——

Mr. **Lowery**. Are things getting better?

General **Jacobs**. Yes sir.

Mr. **Lowery**. From the active duty types?

General **Jacobs**. Well, it depends on what areas you are talking about. If we were talking about equipment, compared to what point in history, compared to that terrible period right after the Vietnam war, when no support was being provided for the Guard or the Reserve at all, I think then Chief of Staff of the Army made the comment it was like feeding a race horse you can't take out of the barn. But yes, in many respects things are improving, but as the repetition of new missions and new requirements is added, there has not been a concurrent improvement in the construction area.

In the State of California, where there is a mechanized infantry division, a division which has a good deal of equipment to house, along with troops to house and train, et cetera, they have willingly accepted every bit of growth that the Army has asked them to accept, but there hasn't been any concurrent growth in the construction programs, so that is an area where it doesn't look as good.

Tanks are there, the personnel carriers, and the rifles and weapons equipment. We need a place to be sure we can secure it all and that we need a place to go out and train, ranges that really work.

Mr. **Lowery**. Thank you.

Mr. **Hefner**. Thank you, General.

The committee stands adjourned.

[The statement of Congressman Robert J. Matsui follows:]

STATEMENT OF THE

HONORABLE ROBERT T. MATSUI
MEMBER OF CONGRESS FROM CALIFORNIA

1987 MILITARY CONSTRUCTION

BEFORE THE
HOUSE APPROPRIATIONS SUBCOMMITTEE
ON MILITARY CONSTRUCTION

MARCH 20, 1986

Mr. Chairman, I am grateful to you for allowing me the opportunity to testify before your committee today. Your strong leadership in helping to build and maintain modern, safe and efficient military installations is to be commended.

In the Sacramento area our military bases are a source of great civic pride. The recent efforts of this committee to improve the physical plant at our bases is evident. Your efforts, to provide sufficient resources and proper facilities, which enable our military community to do their jobs as well and as economically as possible, are greatly appreciated by the entire Sacramento community.

Mr. Chairman, I come before you today to ask that you continue your support of military construction projects in the Sacramento area. To that end, I will be endorsing the six Administration requests for the Sacramento area bases. I would also like to add three crucial projects that are not included in the Administration budget.

First, at Mather Air Force Base, I am pleased to note that the Administration budget request includes a previously authorized accounting and finance building as well as funding for a T-9 noise suppressor support facility. The finance building is budgeted at $1.5 million and the noise suppressor at $740,000.

The current accounting and finance building was a World War II mess hall which has not weathered the years well. I am proud of the employees, who have risen above the adverse conditions, including leaky ceilings, crumbling floors and a wasteful, inefficient and ineffective heating and cooling system, to win national recognition as an outstanding accounting department in the Air Force.

The environs surrounding Mather Air Force Base have become increasingly urbanized. The noise suppressor support facility requested in the Administration budget will provide the foundation for an engine test system that will decrease the amount of noise eminating from the base. This facility will also enable the base to comply with California's stringent noise and air pollution laws for aircraft engine test runups.

I am alarmed that the Administration budget neglected to include funding for a sorely needed Sacramento Army Depot facility to service, adjust and test microwave communications and tactical radar equipment. This mission is central to the Depot. It is currently conducted in three rickety old trailers and a patchwork plywood building. The site on which the plywood building sits is flooded during periods of minimal rainfall. The building itself is the butt of many jokes and is commonly referred to by the base personnel as the "Taj Mahal." Mr. Chairman, I appreciate the support your committee showed when it appropriated $1.9 million in funds for this project last year. I encourage you lead the way for the Administration and fund this facility again this year.

McClellan Air Force base is the largest military installation in the Sacramento area. McClellan was neglected for many years, but thanks your efforts and the efforts of your committee Mr. Chairman, McClellan is growing and prospering as the only Air Force repair and maintenance facility on the West

Coast. Modernization of the physical plant has resulted in higher morale and increased productivity.

While McClellan has benefited in recent years from increased funding, many parts of the base are still in need of repair and replacement. I strongly support the Administration's budget request of $28.9 million for an addition to the depot warehouse ($9.4 million), the ammunition storage complex and land acquisition ($4.3 million), the depot flight instrument overhaul facility ($9.4 million) and the regional wastewater connection ($5.8 million).

McClellan suffers from a severe lack of storage space. Almost 3 million square feet of storage is necessary but there is currently less than 1.7 million square feet available at the base. As a result, electronics and engine parts are stored in hallways and outdoors where they are vulnerable to fire and weather damage. The new distribution warehouse would increase available store capacity by 162,000 square feet.

With the successfully concluded land swap of last year, the base ammunition storage complex can now be moved away from the McClellan runway and onto a safer site. The site of the current complex would then become available for more appropriate and less hazardous uses.

Sophisticated disassembly, maintenance, and testing takes place at the depot flight instrument overhaul facility. McClellan is responsible for the overhaul of Air Force, Army and Navy aircraft. The work is presently being done in two pre-World War II facilities which are poorly configured and lacking in proper environmental control. A new plant will provide 90,000 square feet of space and should significantly enhance the capability of the military and civilian personnel.

Reprogrammed funds for the regional wastewater connection, which were added during the appropriations process, have not yet been committed by the Air Force. It is very possible that budget constraints could keep this program off budget for fiscal year 1986. The continued support of this project by this committee is essential in order to keep this program on budget and ensure the completion of the connection.

There are two projects, not included in the Administration budget request, that deserve the support of this committee. One is a fire sprinkler system and the other is alteration of the base electrical power system.

The disastrous fire at Tinker Air Force Base underscores the need for adequate fire protection at all of our valuable facilities. National security demands the protection of our military bases from all destructive forces. The $2 million cost of installing a sprinkler system is minor when compared to the property loss and potential productivity cost of even a minor fire.

By the same token, we cannot affort to wait until our base infrastructure is strained beyond capacity before we address a need. The expansion of energy-intensive work in the southwestern section of the base has strained the existing power delivery system. At the current rate of demand by next year this portion of the base could experience a power overload. The local utility transformers could be overloaded in two years time. Changing the power system at a later date could result in severe disruption and postponement of necessary work.

Mr. Chairman, at this time I wish to voice my strong support for the projects my colleague, Mr. Fazio, has called to the attention of the committee. At Travis Air Force Base, where many of my constituents serve in the reserve forces, I endorse his efforts to obtain an alteration of the aircraft maintenance hangar, the physical fitness center, the satellite communications ground terminal and the weapons system maintenance management support facility. I also support his efforts to improve facilities at Beale Air Force Base and at the Mare Island Naval Station.

Mr. Chairman, I thank you for the opportunity to appear here today and for your support of the Sacramento area bases. I would be pleased to provide you or your staff with any additional information you may require.

[The statement of Congresswoman Barbara Boxier follows:]

Testimony of Congresswoman Barbara Boxer
Appropriations Subcommittee on Military Construction
March 20, 1986

Mr. Chairman, Thank you for the opportunity to testify regarding projects for the greater Mare Island Naval Complex, some of which are contained in the Administration's budget and some are not. Specifically I endorse an appropriation for the following projects: P-025, Construction of a four-story training facility for the Combat Systems Maintenance, Training of Navy personnel, at a cost of $5.2 million and P-055, Rehabilitation of a building for a Religious Education Center at the Navy Housing Facility in Novato, CA at a cost of $470,000.

These items are important elements of the continuing program of maintenance, training facility readiness and morale. The plan to expand the training facilities at the Combat Systems Technical School is just as important as building ships for our defense, since it must be obvious that well trained and competent sailors are the means by which our ships are able to operate.

The use of the housing at the old Hamilton Air Force Base by Navy personnel, makes good economic sense and I commend it. The Navy has been providing Chaplain service from the Mare Island Naval Station, and it has become very apparent that a religious education center at this location in Novato is necessary for serving those housed at the facility. The building to be restored is an older NCO Club which is located across the street from the chapel, near the housing and over one mile from the nearest school facility. A Family Service Center is being developed to utilize the uncommitted space in this building.

Another important project for Mare Island Naval Shipyard which should be brought to your attention is P-250, Engineering Management Building.

Last year the Navy was directed to expedite the design for P-250 with the intent of funding this project in the FY 1987. The design is proceeding to a 35% level, and I recommend that you consider appropriating funds for the construction of the new fire house which is part of this project and the demolition of the old structures on the building site. The cost of this portion of the project is $3 million. This can be contracted and begun during FY 1987.

Another extremely important item is the Navy's share of construction costs for the sewage treatment facility addition owned and operated by the Vallejo Sanitation and Flood Control District. This sewage treatment facility has treated domestic and industrial wastes from Mare Island Shipyard for many years. The Navy provided funds for the present wastewater treatment facility built by the District to comply with the federal Clean Water Act.

It is now necessary for the District to build an addition to that plant to correct a chemical/physical treatment process installed with the encouragement of the federal government. The orginal process failed to operate correctly, and the State of California has ordered the addition in order to bring the treatment facility into compliance with its federal discharge permit and the July 1, 1988, federal municipal compliance mandate.

The House Armed Services Committee last session added the Navy's share of the sewage treatment plant addition to the FY '86 authorization. This action was based in part on the Vallejo District's commitment to begin construction in January, 1986, to meet the 1988 federal deadline.

On November 20, 1985, the Conference Committee on Military Construction Appropriations urged the Navy to submit a reprogramming request for the Navy's share of construction costs.

I am advised that the Navy's share of the treatment plant addition is not included in the 1987 Military Construction Request, because the Navy thought that the Congress would authorize and appropriate funds for the Navy's share for FY '86. However, I am further advised that it was deleted from the Conference Committee Report on the FY '86 Authorization, based on representations by Navy staff that the Vallejo District was not ready to begin construction, even though the record clearly indicated to the contrary -- a classic "Catch-22" situation.

Construction has begun on the Vallejo District's facility consistent with federal law and State regulatory orders, pursuant to the federal Clean Water Act. The District has its money in hand. The Navy does not. Despite close communication between the Vallejo District and the Shipyard, the Department of the Navy has delayed this important project for submission in 1988, the year by which construction must be completed.

I have made at least two requests to the Secretary of the Navy for a reprogramming of FY '86 funds or for inclusion in the FY '87 Budget. I did not receive a reply until very recently. That reply does not discuss financing costs nor does it contain a commitment to a specific amount of funding.

The Navy's failure to make a specific commitment and to follow through means that the District must pay the Navy's share when the first bills come due this month, unless and until the Navy's funds are provided, together with related financing costs.

Mr. Chairman, I understand that there is no disagreement between the District and the Navy as to the amount of the Navy's share, $5.1 million. I respectfully request that this amount be included in the Subcommittee's FY '87 appropriation request so that funds may be made available as soon as possible for the Navy's share to clear up inadequately treated wastewater. I further request that this be accomplished through a reprogramming of FY '86 funds or as an addition to the FY '87 Military Construction Program, but in any case, I request that the Committee appropriate funds for all costs of construction, including financing and interest costs paid by the Vallejo District for the Navy's share.

Thank you for your consideration and the opportunity to present this request for these important projects.

[The statement of Congressman Dan Glickman follows:]

STATEMENT BY

REPRESENTATIVE DAN GLICKMAN

BEFORE HOUSE COMMITTEE ON APPROPRIATIONS SUBCOMMITTEE

ON MILITARY CONSTRUCTION

THURSDAY MARCH 20, 1986

CHAIRMAN HEFNER AND MEMBERS OF THE SUBCOMMITTEE. I appreciate your taking the time to listen to me once again relative to the military construction needs of McConnell Air Force Base. First let me say that I understand the pressures you are operating under from a budgetary perspective. I also know, however, that this Subcommittee has had considerable success in the past at freeing up funds in some parts of the Administration's requests to assure that our military construction plan is cost effective and makes sense.

I have come to the Subcommittee this year to request your help in modifying the Administration's military construction requests. My message is particularly important this year as it concerns, among other things, an issue of pressing national concern. That is the issue of the safety of the B-1 bomber which is to be based at McConnell. This is obviously a matter of utmost concern and I urge you to carefully consider my request.

As you know, McConnell Air Force Base was chosen as a base for the B-1. It is scheduled to arrive at McConnell at the end of FY 1987. Since FY 1979 McConnell has been involved in work which has served to ready the base for the arrival of the B-1. The new construction during that time has included major dormitory rehabilitation, runway overlay, data automation, and energy improvements. One aspect of the readiness preparation, however, has not been addressed sufficiently. That is the consolidation of security facilities. Presently McConnell houses three separate security facilities. These facilities are both outdated and inefficient, causing difficult coordination problems. The Air Force has reviewed the security system at McConnell and has confirmed that the system needs an overhaul. In 1985 it designated funds for the construction of a consolidated operation facility. This money, although originally designated for FY86, has now been moved back to FY 1988.

Availability of $2,464,000 in FY 1987 makes much more sense in light of the arrival of the B-1 at the end of the fiscal year. Security, which is clearly of paramount importance to the American people in this age of nuclear technology, must be given immediate attention. Indeed even the Strategic Air Command has recognized the importance of improving security at McConnell by designating this issue as their number two overall priority.

Without these much needed dollars McConnell will be forced to use FY 1986 dollars designated for operation and maintenance to improve existing security facilities. This would be a poor use of funds given that eventually these facilities will have to be torn down and replaced. I urge you to carefully weigh this matter and provide McConnell these funds as the most cost effective means of providing for the needed improvements.

Another issue I would like to raise with you concerns the construction of visiting officer quarters. McConnell currrently has two existing structures to house visiting officers. These wood framed facilities, which were constructed in 1952 and 1956, can only be described as Korean war vintage.

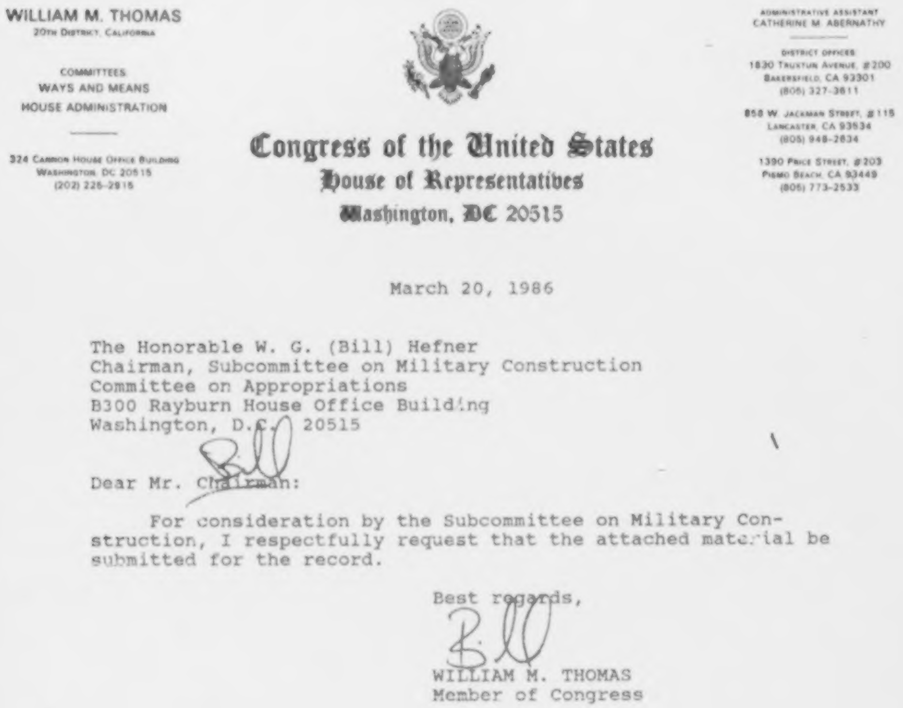
The facilities fail to meet even the basic standards set forth in AFR 90-9. Indeed the facilities are so bad that McConnell has been forced to contract with hotels to house visiting officers.

A new visiting officers quarters is now 100 percent designed. Unfortunately the military construction funds required for this project of 2.1 million dollars, which were originally designated for FY 1986, have been moved to FY 1989. Without these funds visiting officers will continue to be housed at hotels at the expense of the taxpayers. Again the sooner we can get the facility constructed the sooner savings will be able to begin.

Finally, I urge you to consider allocating funds in FY 1987 for the construction of the new front gate project. By way of background, the current gate at McConnell is dangerously close to the county road. As a result of its proximity to the road, traffic is often severely backed up. This congestion prompted McConnell and the county to reach an arrangement in which the county agreed to widen the road if McConnell agreed to move the gate . The county has widened the road pursuant to the agreement. Unfortunately, McConnell has been unable to live up to its end of the bargain because it does not have the funding. This project has been indentified for $550,000 in FY 1989. Constructing this gate now, however, could save lives.

Thank you for giving me the opportunity to bring these concerns to your attention and I again urge you to consider carefully my recommendations. I hope, as in the past, you will be able to find the resources necessary to meet these needs.

[The following information was provided by Congressman William M. Thomas:]



WILLIAM M. THOMAS
20TH DISTRICT, CALIFORNIA

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March 20, 1986

The Honorable W. G. (Bill) Hefner
Chairman, Subcommittee on Military Construction
Committee on Appropriations
B300 Rayburn House Office Building
Washington, D.C. 20515

Dear Mr. ~~Chairman~~ Bill:

For consideration by the Subcommittee on Military Construction, I respectfully request that the attached material be submitted for the record.

Best regards,

Bill

WILLIAM M. THOMAS
Member of Congress

WEDNESDAY, APRIL 9, 1986.

FISCAL YEAR 1987 HOUSING PROGRAMS

WITNESSES

OSD

ROBERT A. STONE, DEPUTY ASSISTANT SECRETARY OF DEFENSE, INSTALLATIONS, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE, ACQUISITION AND LOGISTICS

ARMY

MAJOR GENERAL ROBERT J. DACEY, USA, ASSISTANT CHIEF OF ENGINEERS, DEPARTMENT OF THE ARMY

NAVY

REAR ADMIRAL JOHN P. JONES, JR., CEC, USN, COMMANDER, NAVAL FACILITIES ENGINEERING COMMAND, DEPARTMENT OF THE NAVY

AIR FORCE

MAJOR GENERAL GEORGE E. ELLIS, USAF, DIRECTOR OF ENGINEERING AND SERVICES, DEPARTMENT OF THE AIR FORCE

STATEMENT OF THE CHAIRMAN

Mr. HEFNER. The committee will come to order.

Today the subcommittee will consider the $3.4 billion request for military family housing. Our principal witness is Mr. Robert Stone, the Deputy Assistant Secretary of Defense, Installations. He is accompanied by the heads of the service construction program. Mr. Stone, you may summarize your statement at this time. We will ask each of the service witnesses to submit their statements for the record, and the entire statements will be part of the record.

STATEMENT OF ROBERT A. STONE, DEPUTY ASSISTANT SECRETARY OF DEFENSE, INSTALLATIONS, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE, ACQUISITIONS AND LOGISTICS

Mr. STONE. Let me introduce my colleagues. From your left, Major General Robert Dacey is the Army Assistant Chief of Engineers, Admiral John Paul Jones is the Naval Chief of Civil Engineering, and Major General Ellis is the Air Force Director of Engineering and Services. With people like that to back me up, they make me look good.

Mr. HEFNER. They are all old friends, so we are among friends here.

Mr. STONE. It is a pleasure to have the opportunity today, along with representatives of the Services, to present the military family housing program request for fiscal year 1987.

I have one objective: to ensure that we have the excellent installations we need to carry out our defense missions in peacetime and war. Our goal for family housing is to ensure that we have excellent places for our soldiers, sailors, airmen and marines to live. With your support, we have in recent years, made significant progress toward that end.

We have provided more new housing for our military families in the past three years than in the previous nine years. I look forward to working with you again this year so we may continue our efforts to provide quality housing efficiently for military families.

The fiscal year 1987 family housing appropriation request is for $3.4 billion. This includes the cost of operating, maintaining and improving the 406,000 houses we own or lease, and building or acquiring 5,600 new houses in the United States and overseas.

As you know, the private community is the military's main source of housing. About two-thirds of our 1.2 million families live in private sector housing. Although most are suitably housed, many are not. In some localities it is increasingly difficult to find affordable housing. Often we can help the situation just with extra effort.

For instance, in Hahn, Germany the Air Force sent a "tiger" team to comb the local community for new sources of housing. The team literally walked the streets, knocked on doors, and uncovered hundreds of previously unknown rentals.

An example of another kind occurred last year at Fort Ord, California where housing prices are exceptionally high. There, 2,500 families, including 2,000 junior enlisted people, were waiting for on-base housing. Morale and readiness were at stake. By offering some of our land for lease for one dollar, we competitively attracted a developer, and within nine months had 200 affordable manufactured homes.

In addition, the developer provided a community center, perimeter fencing, a multi-purpose athletic field and other such amenities. Although the approach is not necessarily right for every situation, it does have potential in areas where land values are very high. We are encouraging our commanders to investigate the option. Lieutenant General Lindsay, for example, the Fort Bragg Commander, is very interested in trying this approach at Fort Bragg.

Sometimes it is necessary to provide guarantees. At Fort Rucker and Fort Campbell, the Army has taken advantage of the section 802 rental guarantee authorization to provide 300 units each of affordable housing. There are many other stories, but my point is that we are determined to work with the community to get as much excellent housing as we can without additional appropriations.

Under certain circumstances, however, we must provide for our military families using appropriated funds. This year, in the United States we are requesting money to build approximately 4,000 units. We want to build 1,200 units at Fort Drum, nearly 600 at Fort Polk, and smaller projects at numerous other locations.

We are also pleased by the results of the section 801 build-to-lease program and we are asking for permanent authorization. Two hundred units of a 300-unit project at Eielson Air Force Base, Alaska are complete and 1,800 units are under construction at three other locations. We anticipate that 2,900 units will be completed and ready for occupancy by mid-1988.

Also, we have made some procedural adjustments in line with the instructions of this committee. Now we are giving you an analysis of the military construction alternative for review prior to receipt of bids to establish a mutually agreed upon cost ceiling.

We are also developing all our projects off the installations. I am confident our new procedures will ease earlier concerns. The build-to-lease and the rental guarantee programs are important options for us to consider in our efforts to reduce the large housing deficit.

Another area of particular concern to me is overseas housing. There is not nearly enough housing controlled by the U.S. military. Our people face long waits to obtain adequate housing either on base or in the local community. Renting overseas is not easy for a number of reasons. Because our people move more frequently than most there is a tendency to give preference to the civilian population. In addition, housing practices are often quite different in overseas locations. For example in Germany:

Security deposits may be the equivalent of three months rent.

Apartments or houses rent without light fixtures, kitchen and bathroom cabinets, bedroom wardrobes or closets, equipment normally built into most American units.

American soldiers must buy power converters to be able to use common appliances that are incompatible with the local power supply.

It can take up to a year to get a telephone and cost several hundred dollars for installation.

These problems and others are often made worse because of the soldier's or airmen's unfamiliarity with the language, transportation system, and customs.

Difficulties with housing have forced many service members to choose unaccompanied tours rather than subject their families to uncertain housing conditions and extraordinary expenses. Family separation contributes to other domestic problems which, in turn, severely degrade individual performance and therefore, readiness. That is why senior American generals say family housing is a top priority.

To help solve the problem, this year's request is to build about 1,500 units and acquire 120 others through conversion of attic space. Of course, those we plan to build will be manufactured in the United States, then transported and erected overseas. Our request also includes an additional 2,500 foreign lease authorizations. The increase will be used by the Army to negotiate new build-to-lease agreements in support of their program to provide proper housing for their families in Europe. Also, we are asking to increase the number of high-cost leases from 200 to 220 to reflect the devaluation of the dollar against foreign currencies.

In conclusion, I would like to quote Secretary of the Army John O. Marsh. He said, "Soldiers are our most important assets. We have got to look out for them. If we do, they are going to look out for our country and the Army." I will extend that thought by including sailors, airmen and marines. The essence is: We must care for our military families because it is their job to care for us.

This concludes my statement. My colleagues and I will be glad to answer your questions.

Mr. **Hefner**. Thank you, sir.

If it is agreeable with the Services, unless you feel compelled to make a speech, we will just make your statements for the record and we will go to questions. We have some distinguished members that have joined us and I am sure they would like to get on with the questions.

[The statements of General Dacey, Admiral Jones and General Ellis follow:]

STATEMENT BY

MAJOR GENERAL ROBERT JOSEPH DACEY

ASSISTANT CHIEF OF ENGINEERS

OFFICE OF THE CHIEF OF ENGINEERS

DEPARTMENT OF THE ARMY

BEFORE THE

SUBCOMMITTEE ON MILITARY CONSTRUCTION

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

SECOND SESSION, 99TH CONGRESS

FY 87 ARMY FAMILY HOUSING PROGRAM

9 APRIL 1986

NOT FOR PUBLICATION
UNTIL RELEASED BY THE
HOUSE APPROPRIATIONS
COMMITTEE

MAJOR GENERAL ROBERT JOSEPH DACEY

Major General Robert Joseph Dacey was born 15 May 1935 at Watertown, New York. General Dacey is currently serving as the Assistant Chief of Engineers in The Office of the Chief of Engineers.

Prior to this assignment, he served as Commander and Division Engineer of the Corps' Southwestern Division in Dallas, Texas.

General Dacey is a 1958 graduate of Norwich University, Northfield, Vermont, with a bachelor's degree in business administration. He received a bachelor's degree in civil engineering from the University of Missouri in 1964, and a master's degree in procurement and contract management from George Washington University in 1972. He is also a graduate of the Army Command and General Staff College and the Army War College.

He has held numerous responsible command and staff assignments, both in the United States and overseas. These major assignments include serving as Deputy Chief of Staff, Engineer, U. S. Army Forces Command at Fort McPherson, Georgia; District Commander, St. Louis District, U. S. Army Corps of Engineers; Chief of Plans Division, Office of the Deputy Chief of Staff, Operations and Plans, Headquarters, U. S. Army Europe and 7th Army, Heidelberg, Germany; Chief of Management Division, Office of the Chief of Staff, U. S. Army, Europe and 7th Army; Staff Officer, Office of the Assistant to the Army Chief of Staff for Forces Development, Washington, D. C.; Executive Assistant, Office of the Chief of Engineers, Washington, D. C.; Construction Officer, 18th Engineer Brigade, Vietnam; Resident Engineer, St. Louis District, U. S. Army Corps of Engineers; and Construction Officer, 2nd Engineer Group, Korea.

General Dacey was assigned to the Chief of Engineers with duty as the Assistant Chief of Engineers, September 1985.

OPENING STATEMENT

Mr. Chairman and Members of the Subcommittee. I am Major General Robert Joseph Dacey, Assistant Chief of Engineers, Office of the Chief of Engineers, Department of the Army.

I am pleased to appear before the subcommittee to present the Army's family housing portion of the annual Military Construction Authorization and Appropriation Requests. The fiscal year 1987 requests sustain efforts started in prior years to improve the operational readiness of the Army while, at the same time, providing those quality of life improvements so necessary to attract and retain dedicated individuals to serve in the Army.

The provision of adequate housing conditions is one of our highest peacetime priorities. The fiscal year 1987 budget requests reflect the Army's commitment to provide suitable housing for our soldiers and to maintain the quality of the facilities entrusted to our stewardship.

ARMY FAMILY HOUSING (AFH) OVERVIEW

The fiscal year 1987 AFH budget includes a request (TABLE I) for $1,740,646,000 in new appropriation.

TABLE I - PROPOSED FISCAL YEAR 1987
ARMY FAMILY HOUSING PROGRAM
AUTHORIZATION AND APPROPRIATION SUMMARY

FACILITY CATEGORY	APPROPRIATION ($000)
New Construction	293,380
Improvements	146,000*
Planning and Design	24,000
Operations	238,870
Utilities	268,596
Maintenance	587,852
Leasing	173,885
Debt Interest	417
Debt Principal	7,646
TOTAL	1,740,646

* Does not include Energy Conservation Investment Program Authorization request of $15,671,000.

HOUSING PROGRAM ACCOUNTS

TABLE II summarizes the budget changes (increases and decreases) for the Army's Family Housing budget request. Two hundred ninety-three million dollars or seventeen percent is designated to meet the new construction requirements. Another one hundred and forty-six million dollars or eight percent will fund improvements to our aging housing inventory. Twenty-four million dollars, one percent, will provide resources to provide for planning and design of future construction projects. The remaining portion of the budget request of $1,277,646 is designated to provide for the overall operations, utilities, maintenance, leasing, and debt reduction accounts. Sixty-three percent of the request will cover the costs of operating ($238,870,000), utilities ($268,596,000), and maintaining ($587,852,000), our current inventory. This includes reducing the backlog of deferred maintenance and repair by approximately eighteen million dollars. The leasing program accounts for one hundred and seventy-four million dollars or ten percent of the program. The balance of the funds requested, over eight million dollars or less than one percent (.4%), provides for remaining indebtedness for Capehart and Wherry housing and servicemen's mortgage insurance premiums paid under the debt reduction account, which includes both debt payment and debt principal.

TABLE II - ARMY FAMILY HOUSING
FISCAL YEAR 1987 BUDGET SUMMARY

BUDGET SUMMARY CHANGES

FACILITY CATEGORY	PERCENT INCREASE/DECREASE FY 87 OVER FY 86	PERCENT OF TOTAL APPROPRIATION
New Construction	+102.3	16.9
Post Acquisition	+ 43.1	8.4
Planning & Design	+ 60.0	1.4
Operations	+ 11.9	13.7
Utilities	- 4.1	15.4
Maintenance	+ 5.0	33.8
Leasing	+ 53.1	10.0
Debt Interest	- 58.8	.0
Debt Principal	- 49.2	.4
		100.0

NEW CONSTRUCTION

Army policy directs that the first source for providing family housing will be the civilian community. The concept of the Variable Housing Allowance (VHA) supports this policy. The Army's execution of the two test programs approved under Sections 801 and 802 of Public Law 98-115 also fully supports this policy. However, at overseas communities and certain United States locations where installations are so remote or population impacted to preclude such support, it is imperative that the Army take positive steps to provide adequate housing for our military families. New construction is programed only when these conditions exist and it is the more economical alternative.

TABLE III shows the fiscal year 1987 projects for family housing construction. The Army request is primarily for critically needed dwelling units in the United States to fulfill the stationing requirements for the 6th and 10th Mountain Division (Light Infantry) and to provide necessary family housing units for Fort Ord. Overseas construction is provided in the Federal Republic of Germany in support of our forward deployed forces. The request also provides for the conversion of 204 attic units to obtain 120 new dwelling units and upgrade 84 existing temporary units to adequacy standards at various locations in the Federal Republic of Germany.

TABLE III - ARMY FAMILY HOUSING NEW CONSTRUCTION

FISCAL YEAR 1987 BUDGET REQUEST

LOCATION	NUMBER OF UNITS	REQUEST FOR APPROPRIATION
New Family Housing Construction		
Aberdeen Proving Ground, Md.	140	9,700
Fort Drum, NY	1,200	91,000
Kwajalein, Marshall Islands	136	23,000
Fort Ord, CA	385	34,000
Fort Polk, LA	583	37,000
Seneca Army Depot, NY	30	2,900
Fort Wainwright, AK	150	33,000
Crailsheim, FRG	40	4,100
Darmstadt, FRG	40	3,150
Erlangen, FRG	106	9,400
Herzo Base, FRG	34	3,300
Mainz, FRG	20	1,850
Schweinfurt, FRG	90	8,400
Vilseck, FRG	224	21,000
Wildflecken, FRG	24	2,050
Livorno, IT	90	7,700
Subtotal	3,292	291,550

Mobile Homes
Spaces

LOCATION	NUMBER OF UNITS	REQUEST FOR APPROPRIATION
Aberdeen Proving Ground, MD	70	1,100
Fort Irwin, CA	38	730
Subtotal	108	1,830
Attic Conversions to Family Housing		
Various Locations, FRG	120	0*
TOTAL	3,520	293,380

*Funded in the construction improvements account

POST ACQUISITION CONSTRUCTION

Post acquisition construction consists of whole house renewals, improvements to the current inventory to bring them up to contemporary standards and energy conservation investment projects to improve the energy efficiency of our existing inventory. Due to the aging of our inventory, these areas require continued emphasis and will provide long lasting benefits to our soldiers and their families.

The fiscal year 1987 improvement program will provide improvements to approximately 17,376 units at 48 locations worldwide. Included in these numbers will be whole house renewal for 2,641 units and smaller selected improvements to some 3,202 units worldwide. Fiscal year 1987 funding for correction of substandard housing conditions will result in the conversion of 1,359 substandard housing units into 1,124 adequate units.

The Army Family Housing Energy Conservation Investment Program (ECIP) continues to receive emphasis. The fiscal year 1987 budget requests authorization for fifteen million and six hundred seventy one thousand dollars to improve energy efficiency in 10,521 units.

OPERATION AND MAINTENANCE

The operation and maintenance program comprises the majority of this year's budget request. In funding this program we first insured that the cost of ownership was fully funded. Cost of ownership is defined as those annual expenditures necessary to operate and maintain the existing family housing inventory and provide careful stewardship of the family housing inventory. Cost of ownership does not include that work which was deferred in prior years due to insufficient funding. We have funded new initiatives which support our mission to provide adequate housing for our military families.

The total operation, utility, and maintenance program for fiscal year 1987 has only increased 4.0 percent over the fiscal year 1986 program. The maintenance account has increased 5.0 percent over fiscal year 1986 and the operation and utility accounts have increased 2.8 percent. This program growth is necessary to continue our efforts to fix our aging, deteriorating inventory. The fiscal year 1987 operation and maintenance program will fund the continued installation, operation and maintenance of an Army-wide computer system, Housing Operations Management System (HOMES), designed to improve all phases of housing management. Due to increased management emphasis and the impact of previously approved energy conservation projects, fiscal year 1987 should show a reduction in utility consumption. A continuing objective of the operation and maintenance program is the improvement of living conditions for military families throughout the world by accomplishing the annual maintenance and repair of our worldwide inventory and by reducing the level of the deferred maintenance and repair backlog. To this end, funds are being requested for a maintenance and repair program, which will provide a strong, well-balanced fiscal year 1987 worldwide maintenance and repair program.

DEFERRED MAINTENANCE

Deferred maintenance is that maintenance and repair work scheduled for accomplishment in the prior fiscal year annual work plan, but could not be accomplished due to insufficient funding. Although our backlog of deferred maintenance is decreased from the fiscal year 1986 level, it still is too large to assure our quarters are adequately protected and our soldiers properly housed. Funding in fiscal year 1986 was insufficient to reduce the deferred maintenance and allowed a slight growth in overall backlog. Fiscal year 1987 program provides for an eighteen million dollar reduction. Continued support for reducing the deferred maintenance is essential if we are to provide soldiers and their families properly maintained housing.

LEASING

Another means of adequately housing our military families is the leasing program. Our program includes domestic leases, Section 801 leases, Section 802 rental guarantee housing, and foreign leases. The domestic leasing program for fiscal year 1987 requests authorization for 825 units and appropriations for four million three hundred ten thousand dollars. The Section 801 program authorization request is for 6,600 units and an appropriation of twenty-six million nine hundred thirty-six thousand dollars. The Section 802 program only requests authorization for 1,200 units.

In the foreign leasing area we are requesting authorization for 22,581 units and an appropriation of one hundred forty-two million six hundred thirty-nine thousand dollars.

Our total leasing program authorization request is for 31,206 units to satisfy requirements in the United States, Europe, Korea, and Panama.

SUMMARY

Mr. Chairman, in summary, I would like to emphasize that the Army's fiscal year 1987 Family Housing budget request reflects the needs of the service and supports the programs presented by the Secretary of the Army and the Chief of Staff. The request emphasizes readiness, the Army's efforts to improve our soldier's quality of life and wise, careful stewardship in the protection of our existing inventory. It includes those projects of highest priority which are consistent with fiscal realities. Approval of the request will enhance the Army's ability to enlist and retain quality soldiers and support the improvement of the Army's operational readiness and war fighting ability.

Sir, this concludes my statement. I would be pleased to answer any questions or arrange for answers to be inserted in the record.

NOT FOR PUBLICATION UNTIL RELEASED
BY THE COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES

STATEMENT OF

REAR ADMIRAL J. P. JONES, JR., CEC, U. S. NAVY

COMMANDER

NAVAL FACILITIES ENGINEERING COMMAND

BEFORE THE

SUBCOMMITTEE ON MILITARY CONSTRUCTION

HOUSE APPROPRIATIONS COMMITTEE

ON

THE FISCAL YEAR 1987 FAMILY HOUSING BUDGET

APRIL 9, 1986

NOT FOR PUBLICATION UNTIL RELEASED
BY THE COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I AM REAR ADMIRAL JOHN PAUL JONES JR., COMMANDER OF THE NAVAL FACILITIES ENGINEERING COMMAND. I AM PLEASED TO BE HERE TODAY TO REVIEW FOR YOU THE DEPARTMENT OF THE NAVY FISCAL YEAR 1987 FAMILY HOUSING PROGRAM, WHICH INCLUDES THE NAVY AND MARINE CORPS.

FISCAL YEAR 1987 FAMILY HOUSING APPROPRIATION

OUR APPROPRIATION REQUEST FOR FAMILY HOUSING IN FISCAL YEAR 1987 IS $792.9 MILLION. ABOUT 70% OF THAT REQUEST IS FOR ANNUAL OPERATION, MAINTENANCE AND DEBT SERVICE REQUIREMENTS FOR OUR FAMILY HOUSING INVENTORY OF OVER 91,000 UNITS. THE REMAINDER IS FOR NEW CONSTRUCTION, IMPROVEMENTS, AND PLANNING AND DESIGN. THIS REQUEST IS $111.5 MILLION HIGHER THAN THE AMOUNT APPROPRIATED IN FY 1986, A 16.4% INCREASE. INFLATION IN THE OPERATION AND MAINTENANCE ACCOUNTS, WHICH HAS BEEN BUDGETED IN ACCORDANCE WITH THE ECONOMIC ASSUMPTIONS UNDERLYING THE ENTIRE FEDERAL BUDGET, ACCOUNTS FOR $6 MILLION OF THE INCREASE. PROGRAM INCREASES IN THE CONSTRUCTION ACCOUNTS CONTRIBUTE ANOTHER $91 MILLION. THE REMAINDER RESULTS FROM THE IMPLEMENTATION OF THE SECTION 801 LEASING PROGRAM AND REDRESSING THE FISCAL YEAR 1986 OPERATIONS AND MAINTENANCE FUND SHORTFALL, OFFSET BY REDUCTIONS IN DEBT PRINCIPAL.

NEW CONSTRUCTION

NEW CONSTRUCTION COMPRISES 22% OF OUR TOTAL FY 1987 BUDGET REQUEST. THE $177 MILLION REQUESTED WILL FUND THE CONSTRUCTION OF 1,668 NEW UNITS AT SIX INSTALLATIONS AND 300 MOBILE HOME

SPACES AT FOUR MARINE CORPS BASES. THE LOCATIONS WHERE WE ARE PROPOSING TO BUILD NEW UNITS RANGE FROM HIGHLY URBANIZED COASTAL METROPOLITAN AREAS SUCH AS NEW YORK AND SAN FRANCISCO TO THE ISOLATED NAVAL AIR STATION IN KEFLAVIK, ICELAND. ALTHOUGH WE RELY ON THE PRIVATE COMMUNITY AS OUR PRIMARY SOURCE OF HOUSING THERE ARE MANY LOCATIONS WHERE THE SUPPLY IS INSUFFICIENT OR IT IS UNAFFORDABLE, EVEN WITH THE VARIABLE HOUSING ALLOWANCE. THE ADVERSE AFFECTS ON THE MORALE OF OUR SAILORS BROUGHT ABOUT BY THE LACK OF HOUSING CAUSES RETENTION PROBLEMS WHICH EVENTUALLY LEAD TO A DIMINISHED READINESS POSTURE. ALTERNATIVE MEANS OF SATISFYING THE REQUIREMENT FOR HOUSING HAVE BEEN CAREFULLY EVALUATED FOR EACH LOCATION. WE HAVE FOUND THAT THE PROPOSED CONSTRUCTION PROJECTS OFFER THE BEST SOLUTION.

NEW CONSTRUCTION LOCATIONS

FULLY 60% OF OUR PROPOSED CONSTRUCTION IS IN URBAN METROPOLITAN AREAS WHERE THE PRIVATE SECTOR HOUSING MARKET CANNOT SATISFY THE NEEDS OF OUR ENLISTED FAMILIES.

LONG BEACH, MOFFETT FIELD, AND SAN FRANCISCO ARE THREE CALIFORNIA AREAS WHERE BOTH HIGH COSTS AND LIMITED AVAILABILITY ARE CREATING SEVERE HOUSING PROBLEMS FOR THOUSANDS OF NAVY FAMILIES. IN AN ATTEMPT TO MEET A PORTION OF THE NEEDS IN THESE LOCATIONS WE ARE PROPOSING 300 UNITS AT LONG BEACH, 126 UNITS AT MOFFETT FIELD, AND 300 UNITS IN SAN FRANCISCO. ALL OF THESE UNITS ARE INTENDED FOR OUR JUNIOR ENLISTED FAMILIES.

TWENTYNINE PALMS, CALIFORNIA IS LOCATED ON THE REMOTE FRINGES OF THE MOJAVE DESERT WHERE THERE IS LITTLE HOUSING AVAILABLE IN

THE PRIVATE SECTOR. THE 392 UNITS WE ARE PROPOSING WILL ALLOW MORE MARINE CORPS FAMILIES TO BE SUITABLY HOUSED.

FAMILIES ASSIGNED TO NEW YORK WILL BE FACED WITH A SITUATION MUCH LIKE THOSE ON THE WEST COAST; A LIMITED SUPPLY OF VERY EXPENSIVE HOUSING. WE ARE PROPOSING 300 UNITS, TO BE SITUATED AT FORT WADSWORTH, AS A MEANS OF MEETING THE NEEDS OF OUR FAMILIES.

IN KEFLAVIK, ICELAND WE ARE PROPOSING 250 UNITS OF HOUSING FOR OUR JUNIOR ENLISTED FAMILIES. UNDER THE CONDITIONS OF OUR AGREEMENT WITH THE GOVERNMENT OF ICELAND, U.S. MILITARY FAMILIES MUST LIVE ON BASE. THE CONSTRUCTION OF THESE UNITS WILL ALLOW MORE FAMILIES TO LIVE TOGETHER FOR THIS DUTY ASSIGNMENT.

FINALLY, I WANT TO ENCOURAGE YOUR SUPPORT FOR THE 300 MOBILE HOME SPACES WE ARE PROPOSING AT FOUR LOCATIONS: CAMP PENDLETON AND TWENTYNINE PALMS IN CALIFORNIA, CAMP LEJEUNE IN NORTH CAROLINA, AND QUANTICO MARINE CORPS BASE IN VIRGINIA. MANY OF OUR FAMILIES SEE MOBILE HOMES AS AN OPPORTUNITY FOR AN INVESTMENT IN THEIR FUTURE. WE HAVE DETERMINED THAT THERE IS A TRUE NEED TO PROVIDE MOBILE HOME SPACES AT THESE LOCATIONS IN SUPPORT OF OUR FAMILIES.

POST ACQUISITION CONSTRUCTION

WE ARE REQUESTING $52 MILLION TO MAKE CAPITAL IMPROVEMENTS TO OUR INVENTORY. THIS AMOUNT COMPRISES 7% OF THE TOTAL BUDGET REQUEST. WE SUPPRESSED OUR BUDGET REQUESTS FOR IMPROVEMENTS IN FY'S 1984 AND 1985 TO ASSURE THAT WE COULD COMPLETE EXECUTION OF PRIOR YEAR PROGRAMS AND TO GIVE US TIME TO FORMULATE CAREFUL

PLANS FOR FUTURE IMPROVEMENT PROGRAMS. WE ARE READY TO EXECUTE ALL OF OUR REQUESTED IMPROVEMENT PROJECTS IN THE FIRST YEAR. A LARGE PERCENTAGE OF THE NAVY INVENTORY WAS BUILT 25-40 YEARS AGO. THESE UNITS LACK MANY FEATURES THAT ARE COMMONPLACE IN THE TYPICAL AMERICAN HOME TODAY. THE FY 1987 IMPROVEMENT PROGRAM BUDGET REQUEST CONTINUES OUR CONCERTED EFFORT INITIATED IN FY 1986 TO MODERNIZE OUR FAMILY HOUSING INVENTORY. WE NEED TO PUT INCREASED EMPHASIS ON PROVIDING NAVY AND MARINE CORPS FAMILIES WITH PLACES TO LIVE THAT COMPARE FAVORABLY TO THOSE FOUND IN THE PRIVATE SECTOR. THE PROJECTS INCLUDED IN THE FY 1987 PROGRAM TYPIFY THAT EMPHASIS. NINE ARE WHOLE-HOUSE UPGRADES WHICH WILL CORRECT MANY DEFICIENCIES IN ONE PROJECT, RESULTING IN A TOTALLY MODERNIZED HOUSE. THE OTHERS WILL PROVIDE AMENITIES THAT ARE LACKING IN OTHERWISE SUITABLE UNITS.

DESIGN

OUR $2.0 MILLION REQUEST FOR DESIGN IS A REDUCTION FROM FISCAL YEAR 1986. THIS REFLECTS RECOGNITION OF SAVINGS WHICH HAVE OCCURRED BECAUSE OF REDUCED CONSTRUCTION PROGRAMS IN THE PAST.

FAMILY HOUSING SUPPORT

OPERATION AND MAINTENANCE

OPERATION AND MAINTENANCE WAS UNDERFUNDED IN FY 1985 AND AGAIN IN FY 1986. WE SUBMITTED A REPROGRAMMING REQUEST IN FY 1985, WHICH WAS APPROVED BY YOUR COMMITTEE, TO PROVIDE FUNDS TO PAY MANAGEMENT AND UTILITY BILLS. IN FY 1986, IT APPEARS AS IF

WE WILL AGAIN NEED TO SUBMIT A REPROGRAMMING REQUEST BASED ON THE REDUCTIONS IMPOSED BY THE COMMITTEE FOR LOWER RATES OF INFLATION AND THE ACROSS-THE-BOARD GRAMM-RUDMAN REDUCTIONS.

THE MANAGEMENT, SERVICES AND UTILITIES ACCOUNTS ARE FIXED LEVELS OF SERVICES WE MUST PROVIDE NAVY AND MARINE CORPS MEMBERS RESIDING IN OUR HOUSES. WITHOUT THESE ESSENTIAL SERVICES THE HOUSES WOULD NEED TO BE VACATED, THUS INCREASING THE DEFICIT OF NAVY FAMILY HOUSING.

WHILE WE CAN DEFER REPLACING REFRIGERATORS AND RANGES PAID FROM THE FURNISHINGS ACCOUNT (WHICH IS A SUBSET OF THE OPERATION ACCOUNT), WE HAVE SUSTAINED SUCH SEVERE REDUCTIONS IN FY 85 AND FY 86 THAT WE ARE AT THE POINT OF REPAIRING APPLIANCES WHICH ARE BEYOND THEIR ECONOMIC LIFE CYCLE. WE SIMPLY CAN FIND NO AREAS OF EXPENSE IN THE OPERATIONS ACCOUNT WHICH CAN BE DISCONTINUED, HISTORICALLY, THIS SITUATION HAS CAUSED US TO SEEK REPROGRAMMING ACTION. WHEN WE ARE REQUIRED TO REPROGRAM INTO OPERATIONS, IT INEVITABLY IS OFFSET FROM OUR MAJOR REPAIR PROGRAM. THIS ACTION NOT ONLY RETARDS OUR EFFORTS TO REDUCE THE REPAIR BACKLOG, BUT SIGNIFICANTLY DISRUPTS AND ADDS COSTS TO ONGOING ACTIONS TO EXECUTE THE REPAIR PROJECTS. IN THIS REGARD, THEN, WE URGE YOU NOT TO DELETE FUNDS FROM THE PROGRAM.

INCLUDED IN OUR REQUEST ARE PROJECTS TO UNDERTAKE NEEDED ONE-TIME MAJOR MAINTENANCE AND REPAIRS ESTIMATED TO COST MORE THAN $15,000 PER UNIT ON APPROXIMATELY 650 UNITS. THE LIST PROVIDED IS OUR BEST ESTIMATE OF WHERE SUCH EXPENDITURES WILL OCCUR. HOWEVER, A NUMBER OF FACTORS COULD CAUSE THESE ESTIMATES TO CHANGE AS WE BEGIN TO EXECUTE THE PROGRAM.

FLAG AND GENERAL OFFICER QUARTERS

ALSO INCLUDED IN THE BUDGET JUSTIFICATION MATERIALS ARE BUDGET ESTIMATES FOR 42 GENERAL AND FLAG OFFICER QUARTERS EXPECTED TO COST MORE THAN $25,000 DURING FY 1987. WE WILL NOT SPEND MORE THAN $25,000 TO OPERATE AND MAINTAIN ANY UNITS WITHOUT FIRST NOTIFYING YOU. WE INCLUDED THE BUDGETS FOR THE JAMESTOWN QUARTERS CONTINGENT UPON APPROVAL BY THE COMMITTEES OF THE JAMESTOWN STUDY. WE ASK THAT YOU GIVE US, AS PROGRAM MANAGERS, THE EXECUTION FLEXIBILITY WE NEED FOR THIS SITE AND OTHER FAMILY HOUSING PROGRAM AREAS SO WE CAN REACT TO CHANGING CONDITIONS DURING THE COURSE OF THE BUDGET YEAR.

LEASING

WE ARE PROPOSING A LEASING PROGRAM WHICH MAINTAINS THE PRESENT SCOPE IN OVERSEAS LOCATIONS. THE GROWTH OF OUR FOREIGN LEASING REQUEST REFLECTS ONLY ANTICIPATED PRICE CHANGES. IN ADDITION, WE ARE INCORPORATING A DOMESTIC LEASING EFFORT AS THE RESULT OF THE SECTION 801 INITIATIVE. OUR TWO TEST LOCATIONS FOR THE FY84 AUTHORIZATION ARE EARLE, NJ, AND NORFOLK, VA. THE NORFOLK 300 UNIT PROJECT WAS AWARDED 6 FEB 1986. THE EARLE PROJECT IS SCHEDULED FOR AWARD THIS SUMMER. RFP'S ARE ON THE STREET FOR THREE 200 UNIT FY 86 PROJECTS AT STATEN IS., NY, MAYPORT, FL, AND TWENTYNINE PALMS, CA. ALL THREE ARE SCHEDULED FOR AWARD IN SEP 86. WE WILL CONTINUE TO PURSUE LEASING UNDER THE SECTION 801 INITIATIVE AS A MEANS OF SATISFYING A PORTION OF OUR LARGE REQUIREMENT FOR ADDITIONAL HOUSING.

CONCLUSION

MR. CHAIRMAN, THIS CONCLUDES MY PREPARED STATEMENT. MY STAFF AND I ARE AVAILABLE TO ANSWER QUESTIONS AND TO PROVIDE ANY ADDITIONAL INFORMATION YOU MAY DESIRE.

DEPARTMENT OF THE AIR FORCE

PRESENTATION TO
SUBCOMMITTEE ON MILITARY CONSTRUCTION
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES

APRIL 9, 1986

SUBJECT: FISCAL YEAR 1987 FAMILY HOUSING PROGRAM

STATEMENT OF: MAJOR GENERAL GEORGE E. ELLIS
DIRECTOR OF AIR FORCE ENGINEERING & SERVICES

NOT FOR PUBLICATION UNTIL RELEASED
BY THE COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES.

INTRODUCTION

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, I AM MAJOR GENERAL GEORGE E. ELLIS, DIRECTOR OF ENGINEERING AND SERVICES, UNITED STATES AIR FORCE. I AM PLEASED TO HAVE THIS OPPORTUNITY TO PRESENT THE AIR FORCE MILITARY FAMILY HOUSING PROGRAM FOR FISCAL YEAR 1987.

OUR REQUEST THIS YEAR ADDRESSES A SERIOUS CONCERN OF OUR MILITARY FAMILIES - SECURING ADEQUATE AND AFFORDABLE HOUSING. THE AIR FORCE CONSIDERS FAMILY HOUSING ONE OF THE MOST IMPORTANT PARTS OF OUR QUALITY-OF-LIFE PROGRAM. PROGRESS HAS BEEN MADE IN REDUCING DEFICITS AND PROVIDING FUNDING TO REDUCE LONG-TERM MAINTENANCE AND IMPROVEMENT DEFICIENCIES. HOWEVER, THE FISCAL YEAR 86 APPROPRIATION, A REDUCTION OF OVER ELEVEN PERCENT FROM OUR BUDGET REQUEST, DOES NOT MEET OUR HOUSING REQUIREMENTS. THE COMBINATION OF CONGRESSIONAL REDUCTIONS, DEFICIT REDUCTION MEASURES, AND ADVERSE FOREIGN CURRENCY FLUCTUATIONS WILL FORCE US TO COME TO THE CONGRESS WITH REPROGRAMMING REQUESTS TO COVER OUR "MUST PAY" COSTS THIS YEAR. THE FISCAL YEAR 1987 BUDGET REQUEST HAS BEEN CONSTRAINED AT A LEVEL ONLY 1.5 PERCENT ABOVE THE FISCAL YEAR 1986 APPROPRIATION AND 10 PERCENT LOWER THAN LAST YEAR'S REQUEST. WE BELIEVE THIS FUNDING REQUEST REPRESENTS AN EXTREMELY AUSTERE PROGRAM, BUT ONE THAT WILL MEET NEW MISSION REQUIREMENTS AND PROVIDE A MINIMUM LEVEL OF

MAINTENANCE AND IMPROVEMENT SUFFICIENT TO PRESERVE THE AIR FORCE FAMILY HOUSING INVENTORY.

MILITARY FAMILY HOUSING HIGHLIGHTS

THE FISCAL YEAR 1987 MILITARY FAMILY HOUSING REQUEST TOTALS JUST OVER $860 MILLION. OF THIS AMOUNT, $109 MILLION IS FOR NEW CONSTRUCTION, IMPROVEMENTS, AND PLANNING AND DESIGN; $664 MILLION IS FOR OPERATIONS, UTILITIES, AND MAINTENANCE; $80 MILLION IS REQUIRED TO SUPPORT LEASING COSTS; AND $7 MILLION IS NEEDED FOR PAYMENTS ON CAPEHART AND WHERRY MORTGAGES. OVER 80 PERCENT OF THIS TOTAL ARE "MUST PAY" COSTS THAT REPRESENT THE PRICE OF OWNERSHIP. THESE "MUST PAY" COSTS INCLUDE ITEMS SUCH AS UTILITIES, OPERATIONS, REFUSE COLLECTION, AND DAY-TO-DAY MAINTENANCE AND REPAIR NECESSARY TO PROTECT THE $11 BILLION HOUSING INVENTORY.

THIS BALANCED PROGRAM IS DEDICATED TO MEETING NEW MISSION REQUIREMENTS FOR ADDITIONAL HOUSING UNITS, SATISFYING CURRENT DEFICIENCIES, PROVIDING A MINIMUM LEVEL OF IMPROVEMENTS TO EXISTING UNITS, AND KEEPING PACE WITH THE BACKLOG OF MAINTENANCE AND REPAIR NEEDED TO KEEP OUR 29-YEAR OLD INVENTORY AT ADEQUATE STANDARDS.

NEW CONSTRUCTION

OUR CURRENT NET DEFICIT PROJECTED THROUGH FISCAL YEAR 1990 EXCEEDS 25,000 UNITS. OUR FISCAL YEAR 1987 REQUEST FOR $43 MILLION PROVIDES FOR 523 NEW HOUSING UNITS AT FOUR LOCATIONS. THESE UNITS SUPPORT NEW MISSIONS AT BITBURG AND HAHN AIR BASES, GERMANY, AND THE STRATEGIC TRAINING RANGE SITE, LA JUNTA, COLORADO. IN ADDITION, ONE UNIT IS A REPLACEMENT FOR A SUBSTANDARD GENERAL OFFICER'S QUARTERS AT OSAN AIR BASE, KOREA. THE REQUEST ALSO INCLUDES $1.1 MILLION FOR THREE FAMILY HOUSING OFFICES AND ONE HOUSING MAINTENANCE SHOP PROVIDING ADEQUATE FACILITIES FOR OPERATIONS NOW CONDUCTED FROM SUBSTANDARD FACILITIES AND INADEQUATE LOCATIONS. TWENTY-FOUR MOBILE HOME PADS AT EDWARDS AIR FORCE BASE, CALIFORNIA, ARE INCLUDED IN THIS YEAR'S REQUEST.

IMPROVEMENTS

THE POST ACQUISITION IMPROVEMENTS PROGRAM IS AN IMPORTANT FACET OF THE AIR FORCE FAMILY HOUSING PROGRAM. IT IS THE PRIME MEANS AVAILABLE TO BRING THE AIR FORCE'S INVENTORY OF SOME 138,000 UNITS AVERAGING 29 YEARS IN AGE UP TO COMPARABLE PRIVATE SECTOR STANDARDS. IN LINE WITH THE COMMITTEE'S DIRECTION, WE HAVE INCLUDED ALL KNOWN REQUIREMENTS IN EACH PROJECT SO THAT WHEN COMPLETIONED, THESE UNITS WILL HAVE AN EXTENDED LIFE OF 15 TO 20 YEARS. OUR PROGRAM, WHICH WE CALL "WHOLE HOUSE IMPROVEMENTS," UPDATES WORN OUT BATHROOMS AND KITCHENS, REPLACES OBSOLETE UTILITY AND STRUCTURAL SYSTEMS, PROVIDES ADDITIONAL LIVING SPACE WHERE AUTHORIZED, AND BRINGS THE UNITS UP TO COMPARABLE PRIVATE-SECTOR STANDARDS. TO RESOLVE DIFFICULTIES EXPERIENCED IN PRIOR YEARS IN EXECUTING OUR PROGRAM, THIS YEAR'S REQUEST IS FOR A "PROGRAM AND A HALF." WE ARE SEEKING AUTHORIZATION TOTALING $88 MILLION IN IMPROVEMENT PROJECTS AND AN APPROPRIATION OF $58.6 MILLION. IN PAST YEARS, WHEN PROJECTS COULD NOT BE AWARDED DUE TO HIGH BIDS, OR ANY NUMBER OF REASONS, FUNDS COULD NOT BE OBLIGATED. THE PROGRAM AND A HALF PROVIDES FOR ADVANCE CONGRESSIONAL REVIEW OF ALTERNATIVE PROJECTS THAT WOULD BE SUBSTITUTED WHEN THE PRIMARY PROJECTS COULD NOT BE EXECUTED. PROJECTS THAT ARE NOT SUBSTITUTED WILL GO TO THE TOP OF THE LIST IN THE FISCAL YEAR 1988 PROGRAM. IN ADDITION TO THE PROGRAM AND A HALF SUBMITTAL, OUR ACCELERATED DESIGN PROGRAM IS PREPARING THESE IMPROVEMENT PROJECTS FOR AWARD IN THE YEAR APPROPRIATED. INCLUDED IN THIS YEAR'S REQUEST FOR APPROPRIATION IS $18 MILLION FOR IMPROVEMENT PROJECTS PREVIOUSLY AUTHORIZED FOR WHICH FUNDS WERE NOT AVAILABLE, AND $40.6 MILLION FOR NEW IMPROVEMENT PROJECTS. THIS EFFORT WILL UPGRADE ABOUT 5,000 OF THE 80,000 UNITS REQUIRING WHOLE HOUSE IMPROVEMENT.

OPERATIONS, UTILITIES, AND MAINTENANCE

THE FISCAL YEAR 1987 REQUEST FOR OPERATIONS, UTILITIES, AND MAINTENANCE FUNDING IS $664 MILLION, A DECREASE FROM THE $666 MILLION REQUESTED LAST YEAR. THE MAJORITY OF THIS PROGRAM PROVIDES THE "MUST PAY" COSTS TO KEEP THE DOORS OF OUR FAMILY HOUSING UNITS OPEN WITH THE BALANCE AVAILABLE FOR MAJOR MAINTENANCE AND REPAIR BY CONTRACT TO CORRECT MAJOR DEFICIENCIES SUCH AS ROOF REPLACEMENT, UTILITY SYSTEM REPAIRS, AND RENOVATIONS. THIS LATTER PART OF THE OPERATIONS AND MAINTENANCE ACCOUNT HAS BEEN REDUCED BY FOREIGN CURRENCY FLUCTUATIONS AT OUR OVERSEAS LOCATIONS, AND, IN FISCAL YEAR 1986, WE PROJECT AN INCREASE IN OUR BACKLOG OF MAJOR MAINTENANCE AND REPAIR WORK BY OF LEAST $25 MILLION. IN ADDITION FOREIGN CURRENCY LOSSES, CONGRESSIONAL REDUCTIONS OF THE FISCAL YEAR 1986 REQUEST, THE APPLICATION OF DEFICIT REDUCTION MEASURES, AND ANTICIPATED REPROGRAMMING ACTIONS INTO MUST-PAY ACCOUNTS HAVE DEPLETED MAINTENANCE RESOURCES TO A LEVEL THAT IS LESS THAN HALF THE FISCAL YEAR 1983 APPROPRIATION WHEN MEASURED IN CONSTANT FISCAL YEAR 1986 DOLLARS. YOUR FULL SUPPORT OF THIS YEAR'S REQUEST WILL BEGIN TO REPLACE THIS TREND.

LEASING

THE FISCAL YEAR 1987 REQUEST OF $79.8 MILLION IS SUBSTANTIALLY ABOVE THE $48 MILLION REQUESTED AND THE $40 MILLION APPROPRIATED LAST

YEAR. THIS INCREASE REPRESENTS THE NUMBER OF UNITS INCLUDED IN BOTH DOMESTIC AND OVERSEAS BUILD-LEASE PROJECTS. THREE HUNDRED UNITS ARE NOW BEING OCCUPIED/COMPLETED AT EIELSON AIR FORCE BASE, ALASKA, THE SITE OF OUR FIRST SECTION 801 PROJECT. OVER THREE THOUSAND UNITS OVERSEAS AS WELL AS 163 UNITS AT HANSCOM FIELD, MASSACHUSETTS, WILL BE COMING ON LINE DURING FISCAL YEAR 1987. A TOTAL OF 1,063 LEASE POINTS IN THE UNITED STATES ARE REQUESTED AND INCLUDE THE TWO SECTION 801 PROJECTS LISTED ABOVE AS WELL AS THE ADDITIONAL 600 UNITS AUTHORIZED BY CONGRESS AS AN EXTENSION OF THE SECTION 801 TEST IN FISCAL YEAR 1986. THE AIR FORCE WILL PURSUE THE ADDITIONAL 600 UNITS, PROVIDED THE UNITS ARE OFF-BASE ON PRIVATE PROPERTY AND MEET CONGRESSIONAL AND OSD MUTUALLY AGREED UPON CRITERIA FOR ECONOMIC ANALYSIS. HOWEVER, NO FUNDS ARE REQUESTED FOR THESE UNITS IN THIS YEAR'S REQUEST SINCE CONSTRUCTION IS NOT ANTICIPATED TO BE COMPLETE PRIOR TO THE END OF THE FISCAL YEAR. THE AIR FORCE HAS RECEIVED ONLY ONE PROPOSAL FOR 300 UNITS OF SECTION 802, CONUS RENTAL GUARANTEE HOUSING, AT NORTON AIR FORCE BASE, CALIFORNIA. THIS PROPOSAL IS CURRENTLY BEING EVALUATED. THE 300-UNIT PROJECT AT GOODFELLOW AIR FORCE BASE, TEXAS, RECEIVED NO INTEREST FROM THE PRIVATE SECTOR. A TOTAL OF 9,200 FOREIGN LEASE POINTS ARE REQUESTED FOR OVERSEAS LOCATIONS, AN INCREASE OF 25 UNITS OVER LAST YEAR'S REQUEST. NEW LEASED HOUSING UNITS PREVIOUSLY PROVIDED UNDER THIS PROGRAM WILL BE COMING INTO THE INVENTORY VERY RAPIDLY BY FISCAL YEAR 1987.

GENERAL OFFICER HOUSING

IN FISCAL YEAR 1986 THE CONGRESS APPROVED THE FIRST TWO PROJECTS IN THE AIR FORCE'S SELECTED FAMILY HOUSING IMPROVEMENT PROGRAM AT BOLLING AIR FORCE BASE, WASHINGTON, D. C., AND AT OFFUTT AIR FORCE BASE, NEBRASKA. THIS PROGRAM WAS ESTABLISHED IN ACCORDANCE WITH CONGRESSIONAL DIRECTION TO ADDRESS THE PROBLEM OF HIGH OPERATIONS AND MAINTENANCE COSTS FOR OLDER HOUSES IN THE INVENTORY AND TO DEVELOP LONG-RANGE PLANS FOR CONTROLLING EXPENDITURES ON THESE UNITS. OUR FISCAL YEAR 1987 REQUEST INCLUDES A TOTAL OF 57 HOUSING UNITS SELECTED FOR THIS PROGRAM. INCLUDED ARE 29 UNITS OF ENLISTED QUARTERS AT PLATTSBURGH AIR FORCE BASE, NEW YORK, THAT WERE CONSTRUCTED IN SEVERAL PHASES BETWEEN 1838 AND 1939. IN ADDITION, 28 GENERAL OFFICERS' QUARTERS FROM SIX INSTALLATIONS ARE ALSO INCLUDED. THESE PROJECTS WILL BRING THESE QUARTERS TO CURRENT STANDARDS AND REDUCE THE ANNUAL OPERATIONS AND MAINTENANCE EXPENSE ASSOCIATED WITH THESE QUARTERS.

CONCLUSION

IN CLOSING LET ME AGAIN EXPRESS MY APPRECIATION AND REQUEST YOUR CONTINUED SUPPORT OF A PROGRAM OF MAJOR IMPORTANCE TO THE AIR

FORCE. OUR FISCAL YEAR 1987 FAMILY HOUSING REQUEST IS A MODEST ONE - YET REPRESENTS OUR COMMITMENT TO ENHANCING THE QUALITY OF LIFE FOR OUR MILITARY MEMBERS AND THEIR FAMILIES IN EXCHANGE FOR THEIR DEDICATION AND THE SACRIFICES THEY ENDURE WHILE IN THE SERVICE OF THEIR COUNTRY. WITH YOUR FULL SUPPORT, THIS PROGRAM WILL STRENGTHEN OUR ABILITY TO ATTRACT AND RETAIN THE HIGHLY-SKILLED AND MOTIVATED INDIVIDUALS NEEDED TO SUPPORT AIR FORCE MISSIONS.

MR. CHAIRMAN, THIS CONCLUDES MY STATEMENT. I WOULD BE PLEASED TO RESPOND TO ANY QUESTIONS YOU MAY HAVE REGARDING OUR PROGRAM.

CONSTRUCTION COSTS

Mr. **Hefner**. Last year the Congress reduced the amounts requested for new housing construction by about 12 percent in the belief that the Services had not done enough to explore and implement changes to the present system that would reduce costs. Do you have any specific bid results on the approved FY 86 projects that would indicate the impact of these reductions?

Mr. **Stone**. Yes sir, we do. Let me ask my colleagues to tell you about that.

General **Dacey**. Sir, using Fort Drum as an example, with the proposal that we have received there, it appears although we had hoped to be able to build 800 units with the authorization provided by the committee, that we will now be able to build between 650 and 700 units. That is a combination of the reduced authorization, plus the Gramm-Rudman 4.9 percent reduction, which occurred subsequent to the authorization. We have not signed a contract at this point, but our best assessment there is that, as I said, we will lose between 200 and 150 units.

The Army had hoped to be able to build 2080 units in 1986. Our expectation is now that we will get around 1,720 or the net to our program is we will have lost about 265 units we will not be able to construct this year.

Admiral **Jones**. Mr. Chairman, we were fortunate in that we were able to award a project at Earle, New Jersey for 200 units, a project in Alaska for 100 units, at about 5 percent above the Gramm-Rudman target number. That is the appropriated amount less 4.9 percent. We had to move money, $750,000, to each one of those projects in order to be able to make the award at full scope. We had that money available because one of our projects at Warner Springs was a requirement which cancelled. We took those monies and added them back to Earle and Adak in order to award full scope.

We are going to attempt to award San Diego and 29 Palms at full scope with dollars that were appropriated less Gramm-Rudman. In the case of Subic Bay and El Toro, we don't believe that we can achieve full scope awards at those two locations.

Specifically in the case of Subic Bay, we went on the street with a full scope project. We got letters from major proposers saying it is not possible to build housing for the appropriated amount at Subic Bay. We have come back and briefed your staff—Mr. Murray—on an execution plan that would reduce the scope of Subic Bay by 36 houses and turn them all into two bedroom instead of a mix of two and three bedrooms. We would also reduce the scope of the El Toro project by 18 units. We are proceeding with the execution. In fact, I have just recently submitted a letter to the committee at Mr. Murray's request which outlines our execution plan for the balance of 1986.

General **Ellis**. We are running into the same problem. I expect to review the number of units originally authorized and appropriated not necessarily because of Gramm-Rudman but also because of the severe foreign currency fluctuations.

Mr. **Hefner**. The Navy, you informed us of a new approach to contracting for new housing involving establishment of a competitive range of prices based on acceptable specifications. Admiral Jones, would you outline for us the details of this new approach and how you think it will save money.

Admiral Jones. Mr. Chairma~~n, we will take the tech~~nical proposals from the contractors and evaluate them on a quality basis. We will also look at the prices that they submitted in the first step. On the basis of a quality and price evaluation, we will establish a competitive range.

We will go back to those that fall within the competitive range. There may be some nonconformities that have to be corrected. We will go through that cycle. I imagine we will have to do that but then in the final analysis, we will then go ask them for their best and final offer.

Our objective would be to award to the lowest proposal within that competitive range. That puts more emphasis on cost than the current turnkey procedures. We are optimistic that proposers will sharpen their pencils and then we will get a more competitive price. We haven't had any results with this approach because the Earle and Adak proposals that you mentioned a while ago were awarded on a turnkey basis. We are proceeding with this new approach—not really new but it is new in the family housing business. We are proposing this technique for Subic Bay and for El Toro.

So Subic bay and San Diego are on the street. We chose not to change horses in the middle of the stream on the El Toro project.

Mr. Hefner. We had unfortunately sometime ago some agreements about a project which was how we rated the project. So this should take care of that. We have got these specific acceptable specifications that ought to be able to narrow it down to where you can get better bids, more acceptable to the committee and we hope to save some money, save us all some embarrassment.

Admiral Jones. We are optimistic that we will get better prices this way. We are turning our attention to awards to the low dollar proposal within the competitive range.

Mr. Hefner. What do the other Services think?

General Dacey. We are tracking very carefully what they are doing. We think it is a good idea. If they are successful with it we intend to emulate it.

General Ellis. We have no problem with that. I think for all practical purposes we have done that in the past.

[Clerk's note.—The following questions were submitted by Mr. Hefner:]

Question. What steps have been taken by the services to reduce the costs of new housing as a result of these cuts?

Answer. The most common and necessary but undesirable steps are increasing density of development and redesign the scope of the projects. Additionally the Navy is introducing a new bidding procedure to award to the low bidder in the competitive range.

Question. The services have requested an increase of $2 a square foot to $48 a square foot. What is the justification for this increase?

Answer. The FY 1986 projects were estimated at $46 per square foot. The OSD escalation index for FY 86 to FY 87 is 3.5%. The FY 87 cost is equal to $46 plus 3.5%=$47.61 which was rounded up to $48.

Many factors indicate that $48 per square foot may not be sufficient, particularly if cuts based on DoD project size and Area cost factors are utilized again this year. The services won't be able to award the FY 86 program for the amounts appropriated and have initiated scope changes and deductive bid items program wide. Engineering News Record projects construction labor cost will rise 4% this year and that material costs will increase 2.3% in 1986 and 3.9% in 1987. These projections compare favorably with the DoD prediction of a 3.5% overall rise this year. Additionally F.W. Dodge (construction industry data service) reports that residential building volume will continue at the present rate (1.7 million units per year) meaning little price relief due to increased competition. The R.S. Means Company (construction industry consultants and publishers) 1986 cost data guide for Residential/Light Commercial construction yields an owner's cost (including Davis Bacon wage rates and directly comparable to DoD direct MILCON square foot costs) of $48 per net square foot for an economy townhouse and $51 per net square foot for an average townhouse. The 1987 Means cost would involve an increase for inflation to approximately $50 per net square foot for an economy townhouse and exceeds the DoD request of $48.

Question. The services continue to use unrealistic project size factors in the computation of the project factors. Up to 5 percent additional is added if the project size is below 50 units. What is the basis for adding percentage points to the project factors based on small project size?

Answer. The estimated cost per square foot is derived from experience in constructing projects sized at several hundred units per project (our typical size project). The economies of scale present in the typical 200 unit project are not available in projects of less than 50 units with a resulting increase in per unit costs. The contractor's overhead on small contracts represents a larger percentage of the direct costs because the general contract clauses of our specifications require the contractor to submit drawings, conduct safety meetings, personnel training, quality control and quality assurance testing to the same degree as on our larger contracts. Thus, the percentage of overhead is greater. Review of pricing quotes indicates that the first significant discount level typically occurs at 100 units or more.

[CLERK'S NOTE.—This concludes Mr. Hefner's questions.]

MODULAR HOUSES—DOMESTIC

Mr. HEFNER. In 1983 Congress directed the Services to remove all biases against manufactured or factory built modular homes. However, very few projects in the United States have been awarded for these type of units. The committee also continues to receive reports from contractors that the Services are resisting this type of housing in the states. In our view, because the system used to award projects discriminates against factory built or modular housing, very few companies are bothering to bid. Do you agree with this assessment?

Mr. **Stone**. Mr. Chairman, if you are getting complaints that our system isn't working right, I sure would like to hear about them, because complaints are often useful for us to find out that there is something wrong with our business. As far as this particular issue, let me ask Admiral Jones to comment on it.

Admiral **Jones**. We have been working with the Manufactured Housing Association to make sure that we did eliminate any bias that might have been in our request for proposals, recognizing the committee's concern from last year. We have done a number of things with our RFP to eliminate the bias and in fact, the Manufactured Housing Association agrees with us.

For instance, we have reduced the unit density of the project; we have reduced the ceiling heights to 7 feet 6 inches, as an acceptable ceiling height. That happens to be the standard for the industry. We have allowed single detached units instead of requiring town houses or flats. We have adjusted room sizes, the minimum room size from 12 feet to 11 feet, so that units that are manufactured and then hauled over the road can meet the width restrictions for hauling over the road. We have generally accepted the Manufactured Housing Association's construction standards in our request for proposals.

In dealing with the Manufactured Housing Association, we believe and they believe that we have eliminated what biases there might have been. We, Navy, are not receiving any complaints. So I would welcome those who might be complaining to the committee to turn their guns on us so we can answer their questions.

Mr. **Hefner**. What about the other Services?

General **Ellis**. I don't have any complaints.

Admiral **Jones**. We have been doing this in a tri-Services way.

Mr. **Hefner**. What you have just been telling me is universal, is that correct?

General **Dacey**. Particularly after we came over last fall and met with you and Mr. Edwards, we went back and got out the most recent RFP. We went down through to see from our perspective, if we could find any bias. We checked with the Manufactured Housing Association and they gave us some suggestions. From my perception we made the changes. It seems that we are more than 300 miles from a plant, they can produce stick housing, built on site, at a more reasonable rate than they can get the manufactured housing.

How that gets to the magic number I don't know. Where we have been outside of the 300 mile radius, we have not gotten any proposer to come back in with manufactured housing.

We have encouraged it. We have looked at the cost per square foot—as John Paul said the density. What we might do is encourage it more. We have not gotten a response, sir.

Mr. **Hefner**. Well, maybe what we will have to do, we have no axe to grind with you, other than we feel like it is a way to get more housing for our money, and so probably what we will have to do, when we have these complaints is get the people together and have it face to face. If there is bone of contention we can work it out. That is the best way to work it out when there are disagreements rather than them making their case and you making your case.

Admiral JONES. We will be glad to do that.

Mr. HEFNER. We can meet here. If they want to bid and save us money we want to do it.

Admiral JONES. Yes sir.

Mr. HEFNER. I have some other questions.

At this time I yield to Mr. Coleman.

Mr. COLEMAN. Thank you, Mr. Chairman.

Mr. HEFNER. Before I do, Mr. Rudd had a couple of question I think on this particular subject.

Mr. COLEMAN. Fine.

Mr. RUDD. Thank you.

El Toro was a permanent base. It is still a Marine base I guess, isn't it?

Admiral JONES. Yes sir.

Mr. RUDD. When you are talking about building additional units are you expanding there or is this generally for maintenance or repair?

Admiral JONES. The 1986 program that I was talking about a moment ago for El Toro was a 282 unit new construction family housing project and it is just to satisfy part of the family housing deficit that currently exists in that El Toro area. That is a very expensive area to live.

Mr. RUDD. What you are doing then is bringing more people on the base?

Admiral JONES. No sir. We are not expanding the mission at El Toro. We have had a longstanding family housing deficit up and down the West Coast and El Toro is no exception. There has been a longstanding deficit there—and may I seek some assistance, sir?

There is an existing 599 unit family housing deficit there now. This project will satisfy about half of that or a little less than half of that.

Mr. RUDD. I haven't been there in a long while. I was once assigned there. I know it is a permanent base and they have had good quarters for everybody.

Admiral JONES. Just not enough of them, sir.

Mr. RUDD. You said 2,000 units overseas are to be built. Are any of these related to the housing in Spain?

Admiral JONES. No.

Mr. RUDD. I just came back from there and they are talking about the problems they are having at the family housing area that they have there, which is a great area, a lot of playgrounds, a lot of everything, but it is too far from the base—12 or 14 miles from the base—and if you have a call you can't get the people out when you need them. So they are really thinking about long range moving that closer to——

General ELLIS. We were unsuccessful in the last two years in replacing the area near Torrejon you are referring to with private buildings. It became an international funding problem, et cetera. The Air Force would like to replace and build closer to the base.

Mr. RUDD. Okay.

On the subject the chairman was talking about here, the on-site built projects, we understand that they use all the tricks modular housing people use, plus they provide turnkey services over all contracting services. That is my understanding what that is all about—sewers, streets—and yet the modular people that we talked to, and that I talked to, say they can build this in half the time at a fifth of the cost and are exempt from Davis-Bacon, which is a real problem—the labor requirements. But you just put a little caveat on that. You say they have to be within 300 miles of the site. Can you comment on that?

Mr. STONE. If we can get houses built in half the time at a fifth of the cost that meet our specifications, we would be delighted to do it.

Mr. RUDD. I think that is what I read here. You are saying that you are going to open it up for bidding and that they will be available to do the bidding if they can comply with that, then they will be within the contract?

Mr. STONE. Yes.

Mr. RUDD. That is generally what I think I heard you say.

Mr. STONE. That is right. We have taken actions in the past year to make that more likely. Now, if there are instances where people who are actually mixing it up in the bidding process, think that we are doing something to keep them out that we shouldn't be, I sure would like to hear about that, because if it is true, we can fix it.

Mr. RUDD. No, if you take the facts the way they are and what they say they can do they are going to win. If they can't, they won't.

Mr. STONE. More power to them.

Mr. RUDD. You have said you have made this more competitive in every way dating from the requests of the committee, but I am a little bit in doubt about what you are really saying here. You say you make it more competitive and I would like to know who decides whether it is more competitive after you make it more competitive. Then you take a look at the bid costs and the bid price and that will be the determining factor after you decide over here whether or not it is going to be more competitive. So I don't know what more competitive is and who makes the decision and how much sway that has before you get over here to the price.

Mr. STONE. Well, we can't do anything about the competitive environment except to make it easier for more people to bid on our projects. Admiral Jones gave a couple of examples of ways that we changed our specifications to make it easier for manufactured housing developers to bid. Given that we do that, then we go out with a request for bids and see what happens.

General DACEY. In the Army, sir, the Chief of Staff appointed a brigadier general—Chuck Henry—to be the advocate for competition for the Army. We sat down with him and his small staff and went down through everything that was in our RFP. If it was not required by statute or Department of Defense procurement regulations, we have said is the wording in here. Perhaps we had made something restrictive or we inadvertently were reducing the competitive stance of some entrepreneur that might want to come in; what do we do to take that out.

We have gone so far as to take a draft of the RFP and send it out to industry to look at and tell us how should we change that that would make it easier to compete or lower the cost. Are we requiring too much in the way of bid bond or performance bond? The bonding industry tells us today it is difficult to get bonds, so we have gone out and looked at that.

We have looked at the payment schedule and can we reduce the contractors financial burden by changing the way in which we will make some kind of progress payments. It is a very honest effort, sir, to make sure that we are going after the most competitive solicitation we can find.

Mr. RUDD. Who would the industry complain to besides you if they felt they weren't getting a fair shake? They wouldn't come to the committee.

General DACEY. They may come to the committee or they could go to General Chuck Henry, who is the advocate for competition. We have advertised that in the trade journals and the Commerce Business Daily. If someone feels that what we are doing is disadvantaging them in our process, he is the guy they turn to, and it is up to him to hold our feet to the fire.

Mr. STONE. They are welcome to write to Secretary Weinberger who takes those complaints very seriously on any issue.

Mr. HEFNER. I think they feel we are the people they can write to. They come to us and that is the reason for my statement earlier. It seems to me if we got these problems it would be better to bring these people to this room, bring you people to this room, where we don't have to—Cap Weinberger has from what I read about it, has all he can handle, and General Henry, I feel like these folks like they get caught up in the red tape and maze and we will get back to you and this is what we will do. As far as I am concerned, we have these complaints and some misunderstandings, we will get the parties together here, and where everybody knows where they stand.

That is the way we operate in other areas, whether it is Postal Service and Farmers Home Administration and these folks, we found that once you get the parties together, you know where everybody stands. I just wanted to add that I think that is what their concerns are.

Mr. RUDD. This is an important part. I would like to ask this one question here. The modular people say that they are relocatable, whether it is in time of emergency or whether you decide to pull out a base—which doesn't look like we are going to do, we grow bigger and bigger and bigger. I am astonished what they think they are going to do in Turkey. I just got back from Turkey. But they say they are relocatable and some of the permanent people say they are not relocatable. How do you feel about relocatable ability rather than just throw it away, leave it on site if you have to leave, as permanent houses. Is that a factor in what you want to do?

Mr. STONE. We have——

Mr. RUDD. I am referring more to overseas than I am within our country.

Mr. STONE. We have made a lot of use of relocatable buildings from overseas. We have moved, for example, substantial relocatable dormitories from Thailand to Korea. The Air Force has done this, and we have a lot of airmen in Korea that are living in buildings that have been relocated from Thailand. I think there are lots of examples of that. That is occasionally a useful thing for us.

In the project at Fort Ord, where the Army got a private developer to come in and erect manufactured homes, actually mobile units, on base, for rent to soldiers, the fact that they are relocatable is a big advantage. It allows the developer to actually price the houses lower than if they were permanent construction.

QUONSET HUT

Mr. **Rudd**. Just one more question. You you have shown us this picture of that quonset hut that is all eroded and the bottom part rusted out and all of that. I was at Torrejon, I had to laugh at this because they have got a highly motivated officer there that brings everybody out and they repair their own. They repaint, they redo, they maintain in a way that is phenomenal. I think it is because of this one project officer. He really shoves them around. I have to tell you there are some quonset huts. They are beautiful. Whether you like it or not, they have redone that thing.

Mr. **Hefner**. That is officers quarters though.

Mr. **Rudd**. They are very useful. They do this on their own. I think they are really to be commended and I would like to put a plug in for that officer, General, because I will get his name. He is really something.

General **Ellis**. I will pass on your respects.

If I might clear up a point. We are trying again for Torrejon an 800-unit lease to provide an alternative. The interesting thing is that one of the proposals is to do a whole house upgrade, so eventually if the financing becomes right, we will fix that family housing area.

Mr. **Hefner**. I think we have a vote on, a very important vote on the journal. We would like to come back as quick as we can. We will be right back. The committee stands adjourned for about ten minutes.

(A short recess was taken.)

Mr. **Hefner**. Mr. Rudd.

BIASES AGAINST MODULAR HOMES

Mr. **Rudd**. Thank you, Mr. Chairman.

I have only got a couple more items that I would like to go over. I know the Packard Commission completed its findings, and what they found they expressed in big broad terms, which maybe don't really get to the heart of things—but I hope they do. They talked about use of new technologies, and they talked about commercial alternatives, and boosting competition, all in order to produce better quarters, better everything, for the improved morale of the troops. I would like to know if you think these things can be accomplished with the use of modular housing?

Mr. **Stone**. I don't know of any reason why we can't use modular housing. There are a couple of good examples of it that I think will improve its reputation. One is the Fort Ord project which I have mentioned. The other is the construction that is just becoming available in Germany of housing manufactured in the United States. Everybody I know who has seen that has been impressed with the quality of it and that may lay the groundwork for more such projects.

The key thing is to get people to bid on our requests for proposals.

Mr. Rudd. The reason I asked this question is that I have detected what seems to me to be a little bias against modular housing, and if it is justified, that is fine. But what they say they can do is really phenomenal, and if they can't do it, we ought to know it, but there must be a little fire where there is some smoke like that. So I just—there seems to be some kind of an unconscious bias against modular housing and I am just trying to bring that out, and maybe through good, close consideration we can find out what the problems are and correct them.

They claim that modular constructions usable life is as long as permanent housing. All of these pluses seem to me like it would be a tragedy for the people if we don't take advantage of the good things that they say they can offer. If they only offer some good things we ought to take advantage of the good things. That is why I asked the question, to see if there is any bias and if there is, to maybe bring it out and dust it off and see if we can't correct it.

Mr. Stone. There is this kind of bias, Mr. Rudd. What do you think of modular housing? It is kind of like trailers.

Mr. Rudd. I am talking about the kind of housing that has been before this committee.

Mr. Stone. Sure.

Mr. Rudd. It looks good. They have got a track record that looks good.

Mr. Stone. Many people still don't know that it isn't just trailers, that there are some high quality modular housing units built.

Mr. Hefner. Would you yield?

I missed out on that. You say many don't know. You all know.

Mr. Stone. We know.

Mr. Hefner. What people are you talking about?

Mr. Stone. Mr. Rudd was saying he believes there is some bias against modular housing. I think the further people are from it, the more likely they are to be biased. We have had very good experience with our Fort Ord project, and the Vilseck houses that are coming up that are manufactured in the United States are impressing everybody with their quality. The professionals understand that, the people that write the RFPs.

Mr. Hefner. They are the only ones that matter really.

Mr. Rudd. What I really said was that as long as we have had meetings here in the committee, that I seemed to detect a bias against the type of housing that we are talking about when they claim they can do all of these things. I am not talking about a bias by anybody else except you people, who are involved in military housing. That if there is some kind of bias, maybe through an educational process or something else, we can throw out the bad things and use the good things and leave the bad things aside and do whatever we have to do to have better, more inexpensive housing than we are getting now. That is what I had in mind when I asked a couple of questions that I did ask.

[Clerk's note.—The following questions were submitted by Mr. Rudd:]

Question. Based on your experience, does turnkey contracting save the Services both time and money?

Army Response. Yes. Saving in design cost and a shorter design time frame are made possible by the turnkey procurement method. The contract for the selected proposal is for the design and construction of the project. The criteria for turnkey procurement are mostly performance specifications, which permit more competition in the selection of materials and finishes.

Navy Response. The single most revealing attribute to turnkey contracting is that the scheduling and cost incentives are passed to the contractor where his experience and construction skills directly affect the profitability of the venture. The ensuing competition between contractors generally assures that the project will not be overdesigned or overpriced.

Air Force Response. The turnkey contract method offers several advantages, particularly the opportunity to select from several designs and to profit from the builders' or manufacturers' experience and knowledge of the state-of-the-art of the residential industry. However, for family housing projects, there does not appear to be any quantifiable savings of time or money inherent in the turnkey method.

Question. If all other factors were equal, would the Services prefer relocatable over non-relocatable buildings?

Army Response. The Army would perfer non-relocatable housing. Designers would not be limited to dimensional constraints, i.e., width, height, and length. Materials selected for durability and maintainability will not be excluded due to shipping constraints.

Navy Response. The requirement for relocatable buildings would be preferred by the Navy only when "relocation" was a part of the planned use pattern for the facility. When "relocatability" is a requirement, the capability to do so will add COST to the project that could otherwise be used elsewhere.

Air Force Response. If all other factors were equal, the Air Force would have no preference between relocatable and non-relocatable buildings for family housing.

Question. What steps have you taken to familiarize yourself with the state-of-the-art in modular construction?

Army Response. Army personnel have in the past and continue to attend industry conventions/conferences on a regular basis. Visits and/or inspections of the housing industry plants are ongoing as part of the quality control/quality assurance for awarded projects. Exchange of information between the Services on the use of various materials and systems is an ongoing action which helps to keep abreast of the state-of-the-art construction methods.

Navy Response. The modular industry brings briefings and information to the services on a routine basis. Representatives of family housing and barracks programs make occasional field visits to factories and construction projects.

Air Force Response. The Air Force pioneered modular residential construction in the mid 1960s and early 1970s. Since then we have kept abreast of the industry through visits to manufacturers' plants; attendance at seminars and trade shows; study of manufacturers' promotional and technical literature and presentations; and observation of industry performance.

Question. Is there anything inherently wrong with modular construction?

Army Response. There is nothing inherently wrong with modular construction. However, the industry does have some constraints. The over-the-road hauling distance becomes a major factor in determining which segment of the housing industry is most competitive. In general, the manufactured/factory-built housing industry lacks the capability of managing, designing and constructing a total project. Therefore, the industry does not take the lead in turnkey procurement.

Navy Response. The Navy's consistent position is that there is nothing inherently wrong with modular construction. The majority of our projects use prefabricated techniques and products in keeping with today's industry practices. The Navy strives to use available technology and innovative methods to obtain facilities for the Fleet.

Air Force Response. There is nothing inherently wrong with modular construction

Question. Have any of the Services tried a turnkey modular project?

Army Response. Yes. The Army has built modular projects at Fort Greely, Alaska; Sierra Army Depot, California; and Fort Irwin, California. The Army has several ongoing projects at various locations in Germany that comply with congressional direction to provide manufactured housing overseas.

Navy Response. The Navy has had two projects of manufactured housing, single and double wide units. We assume "modular" includes this type of construction.

In the fiscal year 1979 program, a 70-unit project was built at Naval Air Station, Fallon, Nevada, under a modified form of turnkey contracting. Double wide manufactured units were chosen when it was determined that it was not feasible to build a conventionally designed project within the funds appropriated. The units have developed some expensive repairs and maintenance problems, $7,000+ per unit in FY 1985, due to the failure of the primary plastic water piping system. In turn, this led to secondary moisture damage to the subfloors. The Navy is proceeding with a comparison of operation and maintenance costs with other site built projects at NAS Fallon.

In the FY 1985 program, a 28-unit project has been awarded for Wallops Islands, Virginia, under a turnkey project. The use of manufactured units was directed by the Office of the Secretary of Defense as a means of providing for future "relocation". Of the two bidders, one had to be rejected for reasons of high bid costs. NASA, who owns the land, has held up use permits because of its concern for the appearance of the manufactured units. The final cost of these relocatable manufactured units will be about 10 percent greater than other site built housing projects in the FY 1985 program.

Air Force Response. After construction of a 250-unit modular relocatable housing project in 1971, the Air Force attempted to execute the entire fiscal year 1972 military family housing program by turnkey project for relocatable modular housing at ten locations. This effort met with no success and after several attempts, in which first the requirement for relocatability was dropped and then the modular concept was abandoned, the projects were finally accomplished by the turnkey method using conventional site built technique.

QUESTION. A barracks project for the Marines at Camp Pendleton was advertised twice this year and both times bids came in above budget. In view of the cost savings, has the Navy considered turnkey modular when it is advertised for the third time?

The Navy is unable to identify a Camp Pendleton barracks project bid twice this year. A fiscal year 1985 P-868 barracks project that had bids rejected due to high costs will be readvertised shortly. The project has been repackaged at a reduced scope. Due to the completed design in hand significant delay would result during a redesign to modular construction. Further, the Navy is not authorized to use turnkey contracting for other than family housing until after October 1, 1986 per Public Law 99-167.

QUESTION. The FY 1986 appropriation for a barracks project in Long Beach was reduced by 10 percent from the requested amount. Has the Navy considered turnkey modular for this project?

Answer. The Navy review of the Long Beach barracks project did consider modular construction during the design phase. It was the judgement of the Navy designers that conventional construction using the many prefabricated products/components available was a more competitive construction method for this 12-story high-rise building.

QUESTION. Is it correct that the Services "de facto" prohibit modular construction by writing specifications which prevent modular builders from bidding; e.g., requiring cast-in-place or tilt up concrete construction, concrete masonry unit walls, etc.?

ARMY RESPONSE. No. The procurements for the new family housing projects do not prohibit the manufactured/factory-built construction industry from participating.

NAVY RESPONSE. Conventional designs are sometimes difficult for modular "systems" manufacturers to bid due to specification differing from the manufacturer's standard product. Designing to one manufacturer's specifications would violate procurement standards for open competition. Since modular construction often provides advantages in cost and quality, we are developing performance specifications, both turnkey and two-step, for use on selected projects next year as part of our authorized construction methods experimentation. Recent congressional approval for use of turnkey on military construction projects will help.

AIR FORCE RESPONSE. The criteria for Air Force family housing construction contain no requirements which conflict with standard residential practices, whether site-built, modular, or other factory built techniques, or which would compromise a modular builder's ability to compete.

QUESTION. Would competition be increased if modular construction was permitted?

ARMY RESPONSE. Manufactured/factory-built construction is permitted.

NAVY RESPONSE. Project specifications which permit either conventional construction contractors or modular systems contractors to compete do tend to maximize competition. Judgments on individual project, however, must be made to ensure the higher than normal contractor bid preparation costs of the turnkey modular approach does not in fact discourage competition. The Navy is moving forward in the area of test case performance specifications that will permit either design/construction technique to satisfy the specific project requirement where possible.

AIR FORCE RESPONSE. For Air Force family housing, modular construction is not prohibited but is specifically referenced as an acceptable option.

QUESTION. Which barracks projects do you intend to obtain through turnkey modular this fiscal year?

ARMY RESPONSE. There are no barracks projects scheduled to be performed using one-step turnkey procedures for fiscal year 1987.

NAVY RESPONSE. The Navy has not been authorized to do military construction turnkey modular barracks this fiscal year.

AIR FORCE RESPONSE. There are no projects that will be obtained through turnkey modular this fiscal year.

QUESTION. What are your plans for modular and turnkey modular projects in the future?

ARMY RESPONSE. To permit the competition of all types of construction for the family housing projects through the use of the turnkey method of procurement.

NAVY RESPONSE. All overseas family housing construction will require U.S. manufactured modular or factory built housing units, or concrete houses prefabricated by a plant manufactured in the United States. Our normal stateside procedure for new family housing permits modular proposals. Additionally, the Navy plans to accomplish three non housing turnkey military construction projects as permitted by the Fiscal Year 1986 Authorization Act. These projects are FY 1988 BEQ Winter Harbor, Maine; FY 1988 BEQ Quantico, Virginia; and FY 1988 Warehouse Yuma, Arizona. The performance of these contracts will be evaluated for consideration of wide application of turnkey contracting.

In general, most of our standard construction projects incorporate traditional off-site prefabricated structural components such as structural steel, roof and floor trusses, doors, windows, exterior wall panels, and ceiling systems. Our standard specifications and designs allow prefabrication by contractors on our standard buildings, but normally do not specify mandatory prefabrication (modular) because it tends to involve proprietary systems.

There are many examples of specialty structures which involve significant pre-manfacture, such as steel radio and power towers, water towers, and jet engine acoustical enclosures, and we use these products and pre-engineered metal buildings routinely. The Navy feels that the best way to make better and increased use of available technology and innovative methods in the market place is the increased use of performance specifications, vice specification of selected construction systems.

AIR FORCE RESPONSE. The Air Force plans to continue the use of the turnkey method to procure family housing and to consider modular construction for all projects.

[CLERK'S NOTE.—End of questions submitted by Mr. Rudd.]

[CLERK'S NOTE.—The following questions were submitted by Mr. Hefner:]

Question. What changes can be made in the sytem to encourage more bidding by these contractors?

Answer. We have changed the specification as you directed and the revised specification has been coordinated with the Association of Manufactured Homebuilders. Their limiting factors appear to be shipping cost and site development capability. We should revise our specification when specific additional biases are pointed out.

One of the large pre-fabricated housing builders, Ryan Homes (third largest homebuilder in the U.S.) is starting to bid our MILCON and 801 projects. They point out that the technical aspects of the specification—building code requirements—have not been the problem. The difficulty has been revising standard designs (floor plans) to meet the square footage requirements. Currently DoD (in compliance with Congressional direction) permits a 5 percent deviation from Congressionally mandated square foot maximums. Congressional permission to allow 10% deviation from the maximum and DoD agreement to accept design proposals 10% below the maximum would permit use of a larger number of standard designs.

QUESTION. Provide for the record 2 new housing projects in the United States for each service that are best suited to manufactured/factory-built construction.

ARMY REPONSE. Two new housing projects in the United States that are best suited for manufactured/factory-built construction are Aberdeen Providing Ground, Maryland—140 units and Fort Ord, California—385 units.

NAVY RESPONSE. Suggesting projects for manufactured housing is difficult in that there are significant land use requirements to accommodate the detached unit. A planned fiscal year 1988 200-unit project for Ballston Spa, New York, is located in a rural area where land values would allow the 6 to 7 units per acre. The Navy would have to increase the projected land requirement from 20 acres to approximately 35 acres in order to site the manufactured units. The Navy will further consider other sites where this kind of housing might be feasible.

The directed use of factory built systems could be applied to any of the fiscal year 1988 United States projects—San Diego, Twentynine Palms, Staten Island, Camp Pendleton, or El Toro—if the Congress is willing to support five-foot line increases of from five to ten percent above the more competitive site built contracting market.

AIR FORCE RESPONSE. The Air Force only has one new construction project in the United States in fiscal year 1987. The project for 40 units at La Junta, Colorado, may be suitable for manufactured housing due to its remote location and limited availablity of materials and labor in the vicinity.

[CLERK'S NOTE.—This concludes Mr. Hefner's questions.]

BUDGET PRIORITIZATION

Mr. RUDD. I thank you very much for yielding to me.

Mr. COLEMAN. Thank you, Mr. Chairman.

First, I want to say to everybody who is here, the officers, and others in the Department of Defense, that I think that at least as far as the people I represent, you are now representing probably one of the major concerns about the military. Citizens in my community are concerned about the quality of housing, not only in the

United States but overseas, and so on behalf of them, I would like to say we appreciate all of the efforts that you have made in trying to put together an appropriate family housing budget. It is an issue that I think has the support of the American people. They desire you to see to it that we treat those in uniform well and in doing that, maintain the morale. I think there probably is nothing better for that than family housing.

One of the things that this subcommittee, as well as the authorizing committee will continue to look at is the total amount of funds that are planned for Fort Drum and Fort Wainwright, and whether or not all of those funds will allow for the family housing program to meet the need at home and abroad. I suspect there will be funds needed to replace substandard housing. I don't know whether or not the committee is going to be for a light infantry division, whether all of us are really going to be ready to move quite as rapidly as it is proposed, but if in fact some portion of, rather than all of were granted, and we had the funds still available for other projects, would you be willing to give us a prioritization for needs in other areas?

Mr. STONE. We don't have our budget arranged by priorities. We stated what our needs are. If the Congress reduces our appropriation say for operating the unit that is going to Fort Drum, then of course we want to reexamine the schedule. We don't want to build houses for people that aren't going to be there. But our position now is that soldiers are going to be there and we need to provide houses for them.

Mr. COLEMAN. I am just trying to repeat some of the discussions that I have heard in the halls of Congress about the total allocation of resources to military construction for those two locations. I think there has been some concern. I know you have probably heard it expressed even more than I because you have been in the other committees and I have not. I think what many of us would like to see is that we not just go with the lesser amount in terms of dollars but rather trying to shift those dollars so we are still doing the things that are in the best interests of family housing.

Surely there are other projects that you were not able to place in here because they didn't make the cut that are in need. I hope you will be willing to give us that information if and when it does occur that there is some reduction of dollars.

Mr. STONE. We would certainly make a completely honest attempt to answer any question you might have.

General DACEY. As you are aware, from our previous briefing, the Chief of Staff and the Secretary of the Army, decided that the pacing items for formation of two divisions would be the availability of the family quarters. That is why we have placed a very heavy increment on the front end and tailored the other facilities to come behind. Then we can bring the families in and adequately house them. At the same time the other facilities will be coming on line for the unaccompanied personnel, the motors pools, and the rest of the infrastructure to support the divisions.

Even though some of the other facilities might lag, the pressure would still be there to try and get the housing accomplished, since it is the pacing item for the formation of that capability.

Mr. **Coleman**. The Secretary was absolutely correct. I don't know anyone that disagrees. I think that is where it ought to be, it ought to be on the front end. I think you cannot complete the mission as long as that is going to be a concern and I totally agree with that.

SECTION 801 LEASING PROGRAM

General, the Army has asked for the best and final offers for the section 801 project at Fort Hood. After that, the official discount rate used in preparing the economic analysis was downgraded. This has resulted in a decrease of overall annual project costs by 25 percent. The Army is now using a lower discount rate on the project was advertised and bids accepted prior to that change. Do you believe that is, going to jeopardize the project?

General **Dacey**. I share the frustrations, sir, that you have and the bidders who have worked that package. As you are aware, that is not under our control. We were given the discount rate and directed to redo the economic analysis. It is going to impact the project. The extent which it will impact is unknown at this time. We are hoping that when we get the best and final offers we will still be able to build as many of those quarters as possible, without sacrificing quality.

Mr. **Coleman**. Then, the Army, or the Department of Defense, does not have authority to use the discount rate which was in effect at the time of the bid?

General **Dacey**. That is correct.

Mr. **Coleman**. And it is OMB that does not allow that, is that correct?

General **Dacey**. That is correct.

Mr. **Coleman**. Do you believe the shift in the discount rate will result in cancellation of the project? Do you think that is a possibility?

General **Dacey**. I do not believe at this time that that is a possibility, sir.

Mr. **Coleman**. Have any other 801 projects authorized and bid in FY 85 or earlier but not yet let, had their annual cost reduced like that Fort Hood project?

Admiral **Jones**. Yes sir. The Earle project, that has had the target price reduced.

Mr. **Coleman**. All right, could I ask what is the proposed schedule for the 801 project at Fort Bliss, assuming it is authorized and appropriated?

General **Dacey**. We do not have a detailed schedule for it other than it is scheduled to be advertised the second quarter, hopefully with a third quarter award, if the funds are available. At this point in the planning, it is just that general.

Mr. **Coleman**. That is the only family housing project considered, is that right, for that year for Fort Bliss?

General **Dacey**. That is correct.

Mr. **Coleman**. Is there a current shortage of adequate housing there now, and if there is, for how many families?

General **Dacey**. That is a current shortage. I do not have the figure with me. I will submit it for the record.

Mr. **Coleman**. All right.

[The information follows:]

There is a current shortage of 600 adequate family housing units at Fort Bliss, Texas.

Mr. COLEMAN. Let me do this, if I might, Mr. Chairman. I have written a list of questions. It is probably easier on everybody if I submit them. That way you can answer them specifically. You have already answered some of those, but I would like to submit them for the record.

Mr. STONE. That will be fine.

[CLERK'S NOTE.—The following questions were submitted by Mr. Coleman:]

Question. The Army has asked for "best and final" offers for the Section 801 project at Ft. Hood. Soon after that, the official discount rate used in preparing the economic analysis was downgraded. This has resulted in a decrease of the overall annual project cost by 25 percent. The Army is now using the lower discount rate, even though the project was advertised and bids accepted prior to that change. Do you believe this will jeopardize the project?

Answer. The Army does not believe that this reduction will jeopardize the project. If the project cost was not reduced, the project could not be awarded since it would not meet the criteria of law that a Section 801 project be cost effective when compared to alternative means of providing the same housing facilities.

Question. Does the Army or the Department of Defense have the authority to use the discount rate which was in effect at the time of the bid?

Answer. That is the usual procedure, however, in the case of Ft. Hood the original bid of January 1985 exceeded the cost of the MILCON alternative, even at the 12% rate. While reviewing the bids the GAO began an investigation into the requirement for new housing at Hood, which did not reach the conclusion that the Army's definition of the requirement was acceptable until December 1985. Procurement action was deferred pending the results of the GAO investigation. By this time the discount rate and economic analysis were one year old and all current analysis were using the new rate of 9.6%. It was an OSD conclusion that a contract based on 12% was not defensible from a cost effectiveness standpoint. The Army is negotiating with the original bidders at the latest rate.

Question. Has the Army or the Department of Defense lobbied the Office of Management and Budget to obtain this authority?

Answer. No they have not.

Question. Do you believe the shift in the discount rate will result in the cancellation of the project? It is my understanding that the original seven bids were within 2 to 3 percentage points of the cost of military construction costs. Now, that figure has dropped approximately 25 percent due to the change in the discount rate. How do you believe this will affect the Ft. Hood project? Will we be getting a quality project at this lower cost?

Answer. At the present time, it does not appear that the shift in the discount rate will result in cancellation of the project. However, until all proposals are thoroughly reviewed, a final decision cannot be made. Even at the lower cost, the quality of the project should compare favorably with the government construction option.

Question. Were any other changes made in the established cost model for military housing other than the discount rate?

Answer. Yes, there is a uniform assumption for the cost of the project support costs such as roads, playgrounds etc., the OMB guidance on imputed real estate taxes is being used, the off-base projects include the cost to the government of the use of accelerated depreciation rates, and a uniform procedure for government maintenance costs is being used.

Question. Were these changes implemented for all proposed 801 projects or just the Ft. Hood project?

Answer. They were implemented for all proposed projects.

Question. Have any other projects, authorized and bid in FY 1985 or earlier, but not let, had their annual cost reduced like the Ft. Hood project?

Answer. Yes, the Navy project at Earle, N.J.

Question. The RFP requires the contractor to pay all state and local taxes if required by the state and municipality, is that correct?

a. Does the payment of taxes factor into the analysis? As I understand it, they did for the Ft. Drum project, but not for the Hanscom project. Is that correct?

Answer. Yes, the contractor does pay all required state and local taxes.

a. The payment of taxes factors into each analyses however in some on-base projects where the Federal Government maintains exclusive jurisdiction, there may be no applicable state and local property taxes. Fort Drum was an off-base project where all state and local taxes are applicable. An additional difference in taxes in the Fort Drum (off-base) and Hanscom (on-base) analysis was the inclusion of accelerated depreciation at Fort Drum because of its off base location. This lowers the lease cost 10 to 15 percent. It is our interpretation of the Tax Reform Act that accelerated depreciation can't be taken on an on-base project.

Question. I have been informed that the economic analysis for Ft. Hood allows for a standard allowance for maintenance and repairs of $1.40 per square foot, however, the apartment industry standard allowance is $2.50 per square foot. What is the reason for this difference? Does this exist in each 801 project or just Ft. Hood?

Answer. The government maintenance cost in each economic analysis is based on historical maintenance costs. The projected government maintenance cost on each 801 project to date has been below $2.50 per square foot.

Question. What is the proposed schedule for the 801 project at Ft. Bliss assuming it's authorized?

Answer. If the Ft. Bliss Section 801 project is authorized, we anticipate advertisement in the second quarter of Fiscal Year 1987 and award by the end of the fiscal year.

Question. Is the Ft. Bliss 801 project the only family housing project being considered in the current program years for Ft. Bliss?

Answer. The Section 801 project for 300 units is the only family housing project for the provision of new housing being considered for Fiscal Year 1987. However, there is a project for the energy improvement of 3,643 units in Fiscal Year 1987 program.

Question. Assuming that the Armed Services Committee allows only two additional 801 housing projects for the Army, how will you choose among the 13 listed in the budget justification?

Answer. The Army will determine its priorities based on the total family housing deficit at each location, percent of soldiers currently being adequately housed, and availability and cost of alternate housing in the area.

Question. In the FY 1987 budget request for the Army family housing, there is an additional Section 801 housing project listed for Ft. Hood. In an earlier hearing, the Army stated that this project was separate from the existing 801 project. Is that correct? If problems persist with the existing project and the FY 1987 801 project is also approved, will we see two 801 housing developments at Ft. Hood?

Answer. The Section 801 project listed in the Fiscal Year 1987 is separate from the project currently being reviewed. If for some reason the current project is cancelled and the Fiscal Year 1987 project is approved, the Army could consider combining the projects and advertise a single 600-unit project. This would permit more economies in construction and operation of the project. However, the Army anticipates that the current project will be awarded without readvertisment.

Question. What are the justifications for the Ft. Bliss 801 project? Is there a current shortage of adequate housing and for how many families? How long has there been a shortage? Is there a projected increase in a shortage of family housing at Ft. Bliss?

Answer. The Ft. Bliss Section 801 project will replace 300 of the 606 substandard on-post units. There is a current shortage of approximately 600 units. A shortage of adequate housing has existed for approximately three years. The family housing shortage is expected to increase by approximately 700 units over the next five years. We anticipate providing sufficient housing to reduce the deficit at Ft. Bliss by Fiscal Year 1990.

Question. The Army is seeking authorization for 13 new 801 housing projects and the Air Force would like to get three more, why is the Navy not seeking any additional 801 projects? Haven't the 600 units requested in the FY 1987 budget been previously authorized?

Answer. The Navy is included in the total Defense Department request for additional Section 801 authority. We will assess our housing requirements and locations in light of the total authority contained in the authorizing language. In addition, we will evaluate the reaction to Section 801 requests which are presently working with a view toward determining the program success at different locations. We will be exploring continued use of 801 at locations where we are trying it now, for example, Norfolk, Staten Island, and Mayport. We will also attempt 801 projects at locations where we have other major housing shortfalls, such as San Diego, San Francisco, and Long Beach. The availability of land in the community appears to be a critical factor in the success of an 801 project. We will exercise our authority in locations which appear to have land available.

The funds requested in the FY 1987 budget are for 801 projects authorized in FY 1984.

QUESTION. Assuming that cuts have to be made across the entire Federal Budget, where do you believe cuts could be made in the military family housing budget request which would still provide necessary housing?

ARMY RESPONSE. During the Defense budget formulation cycle, the Army Family Housing budget was thoroughly scrubbed to assure that all resources are properly justified and aligned to ensure the attainment of a basic quality of life for our soldiers and their families. Any resource reductions could result in deferring completion of the family housing deficit reduction; delaying the attainment of the deferred maintenance and repair backlog management level; and slowing the improvements schedule for our rapidly aging inventory.

NAVY RESPONSE. The Navy family housing budget has, through interval processes, already been reduced to such a level that further reductions will greatly impair the quality of service provided. Further reductions also will result in degradation in the quality of military housing provided.

AIR FORCE RESPONSE. The Air Force budget request is only 1.5 percent greater than the fiscal year 1986 appropriation. There is no area that can be cut without serious impact on the program.

[CLERK'S NOTE.—This concludes Mr. Coleman's questions.]

Mr. HEFNER. Thank you.

I have a couple of questions on 801 housing. I would like to comment on the discount rate. It seems to me that it would not be whether we have to change the regulations or whatnot, it seems to me when you award a contract if you change the discount rate all bidders would be operating under the same assumptions on interest rate, so you downgrade them and the bids would be that much less. Is that not feasible where you go ahead and award the contracts? Am I making any sense to you?

General DACEY. The problem on that is the people who are to submit the proposals have gone to their financing institutions and put together a financial package to finance that is based on some givens. Once we change the givens we have to turn that back to them and let them negotiate or work with their financing community to determine how that will impact what they would bid on.

Mr. HEFNER. I understand that. But it seems if the company A, B, C, and D, had submitted bids, they all submitted with in mind what the interest rates were going to be, we said what we are going to pay. So if they are two or three percent less, it seems to me it shouldn't present a real problem. It wouldn't delay a project. It doesn't seem fair, people refinancing their home have gone to pay points when all the institution can do is just effectively change the interest rates and the payments. It seems to me it would be very simple. A lot of attorneys wouldn't make any money, but it seems like a simple way to do it to me. We don't want to get involved in simplicities, that complicates our lives.

General DACEY. The bigger problems—if I am a large firm and I am well capitalized and I have a solid position in the financial market, then I can compete very effectively in the bonding market. If I am overextended or close to the margin and, I don't have that same level four AAAA, maybe I have got a one A instead of a four AAAA rating with the financial institutions, that will affect prices of my bond.

When we do anything in our contractual procedure that would impact the capitalization we then go back to them, so that they can look at their whole package and determine do they need to change the bid before they put it in. It would—for us to arbitrarily apply a factor to their bid could wind up impacting their profit positively or negatively. We see that that would be just a breach of faith under the contract.

Mr. STONE. I am a little puzzled by this question.

We get a bunch of bids from developers and we use a discount rate. They offer a certain price on the houses, then we use a discount rate to calculate whether that is a good deal for us and we calculate it based on—we should calculate it based on the current information. If it says that bids that were prepared when the interest rate was high don't look good to us now that the interest rate has fallen, that is good information to us. That is information we ought to be able to use in our decision and in your decision on whether to approve it. If it is still a good deal for the government, we will ask you to approve it.

Mr. HEFNER. I guess I am being too simplistic. It seems to me if you had used 11 and a half percent, or ten percent and you suddenly find that you were nine and a half percent, your calculation, it seems to me would be the same, It seems to me there should be some fairly simple way to expedite the matter, to go back to the contractors without having to go through a lengthy bidding process again, because you don't change anything from your perspective. You are using the same numbers, just moving downward a percentage point and a half from where you do your numbers from, don't you?

How about for the record giving me and the committee how this has operated? The gentleman from Texas has asked for some information for the record anyway, because I probably won't understand what your fixing to tell me anyway, because in my small mind, it would seem to me if you had 801, had houses set up, that we are going to look at it, we are thinking about 11 and a half, or 12 percent rate, from the time that these bids were submitted, we find that the interest rate has gone to nine percent. Let's look at it from the standpoint of nine percent, that is what you are looking at it from. You are not looking at it from what the contractor is doing, you are not really concerned about what he is going to do, at what lending institution he gets his money, in effect you are interested in what it is going to cost you for "X" number of units. What it is going to cost the taxpayer.

It seems to me there should be some simple way, rather than going through the whole process and come back and redo it. Do you follow me?

Mr. STONE. Yes, I do. I think it would be useful for us to write it down and be able to explain it.

Mr. HEFNER. Try to write it where even I can understand it. Do that.

Mr. STONE. I am with you. I will make sure we write it down.

[The information follows:]

DISCOUNT RATE

The discount rate used is chosen in accordance with the latest OMB guidelines. OSD has been instructed to utilize the interest rate on new issues of treasury securities with maturities equal to the term of the lease (20 years for 801). The guidelines further state, "since most lease-versus-buy analyses must be conducted some time before the lease is signed, the discount rate used in the analysis will generally be the Treasury borrowing rate in effect at the time the analysis is conducted.

The rate at the "time of analysis" is the appropriate time to "freeze" the discount rate because this is when the "lease-versus-buy" decision is made. DoD is deciding at that point to lease houses if the maximum lease is below what it would cost to buy at the time of the decision. Present procedures require submitting this proposed maximum lease to the appropriate committees for review. Once reviewed, the mutually acceptable maximum is then published in the contract documents and the winning bidder is selected from the group that bids below the published maximum.

Redoing the analysis based on a revised discount rate at the time of bid opening opens the door for bidders to renegotiate if the rates rise as well as the government renegotiating if the rate falls. Additionally analysts doing analyses after bids are in hand have biases which are reflected in the analysis "to make it come out right", which don't appear in prebid analyses. The designs and financial packages submitted by the bidders are based on the discount rate used at the time of analysis. To revise the bid requires revising the designs and the financing which could take several months at which time the rate at bid opening may not equal the current rate—leading to another analysis with another round of proposed redesign and refinancing. The rate would be "chased" unitl by accident all factors coincide long enough to make an award. During FY 1985 this was not a problem as the rate for 20 year bonds held steady for most of the year. Unless there is a large change in the discount rate the original rate should be used.

The decision to change the Ft. Hood rate varies from the normal procedural described above for the following reasons: The economic analysis with bidder proposals for Ft. Hood was submitted 12 months after bid opening or approximately 15 months after the lease-versus-buy decision was made, in contrast to a normal period of five months. The analyses did not favor 801 even at the original 12% discount rate. The analysis for Ft. Hood did not conform to the revised model or procedures for 801 decisions based on 12 months of test program experience, and was based on procedures which led to leases criticzed as too costly by this committee in previous similar projects. The Army is therefore negotiating with the bidders at Ft. Hood based on the latest discount rate and procedures.

Mr. COLEMAN. I would like to give you, if I could, a letter from the Universal Service Company, Incorporated, of Houston, Texas. That is the group that has been involved in the 801 bidding, at Fort Hood. Neither the company nor Fort Hood are in my district, but I am interested in the problems that a company faces with 801. They have written me a letter. I would like you, if you would, to look at it as part of the questions for the record. You might be able to answer their questions.

They are concerned about specific problems in the program. They point out the problems about assumptions, taxes, construction costs, maintenance and repair costs, that they are having as a developer. I think it is valid to see what their problems and concerns are so that you will understand what problems exist. I will include that for the record also.

[The information follows:]

UNIVERSAL SERVICES COMPANY LETTER

The Universal Services Company letter listed several areas of concern which are addressed below by topic:

Assumptions: The lease term is limited to 20 years by law. The developer must devise a plan to amortize his investment in this period. Awards at numerous sites indicate this is possible.

Taxes: The payment of taxes factors into each analyses however in some on-base projects where the Federal Government maintains exclusive jurisdiction, there may be no applicable state and local property taxes. Ft Drum was an off-base project where all state and local taxes are applicable. The letter is correct that the Ft Drum analysis did not include imputed real estate taxes as a cost to the government, however this cost was accounted for in the MILCON alternative (page A-5 of the analysis) in the "Service cost section" where the services normally associated with these taxes, police and fire protection and snow removal are listed. In this analysis impact aid (which the government pays for students living either on or off base) was treated as offsetting costs. In the Ft Hood (on-base) analysis the federal government provides these services and impact aid in both the MILCON and 801 alternatives and the cost were treated as offsetting.

Construction Costs: All projects, including the analysis at Ft Hood, used the tri-service cost model in determining government construction costs. The main reasons for the reduced "maximum" at Hood is the deletion of utility costs (which apply to both the MILCON and 801 alternatives and should be excluded as the costs are offsetting) and the use of the lower discount rate. These same changes were implemented for all unawarded 801 projects.

Maintenance/Repair Costs: The maintenance costs used in the Ft Hood analyses are taken from a standard DoD cost account which includes all maintenance items (1-8) listed on page 3 of the letter and all items listed on page 4 of the letter with the exception of street sweeping, which was an omission. The letter states that the cost of deferred maintenance and rehabilitation are not included in the analysis. This is true and is because the analyses is limited to costs occurring during the 20 year lease period. The rehabilitation example cited, $29,700 per unit at Bergstrom AFB is typical of when DoD does this type of work, the houses are over 30 years old. The letter questions the use of a 10 year service life on appliances. The service life on some typical DoD appliances (non-tropical): refrigerators—5 years; dishwashers—9 years; and ranges 10 years. The letter discusses overall maintenance costs per square foot and notes the apartment industry standard allowance is $2.50 per square foot while the costs at Ft Hood were $1.40 per square foot. The government maintenance cost in each economic analysis is based on historical maintenance costs. The projected government maintenance cost on each 801 project to date has been below $2.50 per square foot.

Insurance: The letter discusses the lack of hazard and fire insurance in the government analyses. These costs are included in the analyses under the maintenance costs. Since the government is self insured it absorbs all loses due to accident and fire and the cost of repairs are included in the maintenance accounts.

Mr. STONE. It is important to us to be able to understand the problems that individuals are having with our process.

Mr. HEFNER. In fiscal year '85 the department entered into several agreements to lease family housing under the section 801 leasing program. The average cost of these contracts was $943 per month per unit. The projects proposed for fiscal year 1986 have an average price of $746 per month per unit. These reductions have occurred as a result of various changes to the cost assumptions. Briefly explain these changes.

I think that is what we just did. You are going to get us some more information.

The department has sought permanent authority for the 801 program. If this authority is granted the department intends to immediately pursue leasing over 3000 family housing units in the states. The committee views this program as still very much in the test stages. The primary reasons for this view are:

1) It is unclear how leasing versus construction decisions are made.

2) The new method of determining costs is untested.

3) GAO is currently studying the program.

4) Actual construction of most approved projects is not yet underway.

5) Other options for providing housing such as installment/purchase have not been tested.

In light of these concerns, can you explain why the department should receive permanent authority for this program?

Mr. STONE. I certainly hope so, Mr. Chairman. Every indicator we have had on section 801, is that it is a useful, very useful tool. It isn't necessarily the best tool in every case, and I wouldn't propose that we would use it in every case. It is a useful tool for us to have.

To be able to do it in the best way, we need to be able to operate without the cloud of termination over our heads. For example, the people in the military departments are trying to figure out how we are going to meet our housing requirements in 1988, 1989, 1990. What they see is that this 801 housing terminates at the end of the fiscal year so they are putting together their plans for '88, '89, '90 in the expectation there won't be section 801 program.

Another example—I spoke to a financier a couple of weeks ago who is in the business of helping developers convert their financial obligations to salable bonds, and he sells insurance on them so that the bonds can be marketed with a triple A rating. His question to me was this: "Is this 801 program just temporary or is this going to be a long range program that is worth our working on and making the investment to work out these problems? Because if it is something that is going to expire this year we will just tell the Navy's developer in New Jersey we are not interested. But if it has got some long-term prospect, we will put some of our own talent on how to make it easier for people to finance the development."

So we need to be able to tell everybody that the project has some permanence. Now, there is no risk, in my view, in giving us this authority because the day that you decide—you or any of the other three committees—that it is unwise to continue, I am confident that you will tell us to stop. So you have continued oversight.

Mr. HEFNER. Would you yield at this point?

Then that seems to put us in a Catch 22 situation because actually the people you are talking about wouldn't know that. So really the danger doesn't lurk any more from you not having this authority than for us not giving you authority. The same thing if you said, if we didn't like it we could shut it off, then these people would still be in the same position. It is sort of who you really trust.

Mr. STONE. Well, that is right, and it is what do you see. I think the developers this year will see a relationship between the Department of Defense and this committee that has most of the bumps smoothed out of it because we have reached some agreement on the economic assumptions before going out for bid which we hadn't reached last year.

Mr. HEFNER. When you say permanent, there is no such thing obviously. Would it not be better to put a certain time limit for the program like you would do funding, to allow for revenue sharing and what have you? Of course, you raised a point there that if we didn't like it, that we could do away with it.

Mr. STONE. Most of our authorities under military construction are in permanent law and they are all subject to annual authorization and annual appropriation. The thing is if you extend the program for a year, or even two years, people who would like to take it seriously are not going to take it seriously enough.

Mr. **COLEMAN**. That is like the five year education bill that we just passed in terms of trying to do those things for longer periods of time than annual. Is that what you are saying? Would five years do it?

Mr. **STONE**. Five years would be an enormous help, Mr. Coleman.

Mr. **COLEMAN**. Those are the kind of things we ought to be discussing when the committee meets in markup.

Admiral **JONES**. We weren't sure whether we were going to get the authority extended into 1986. We didn't know until it finally happened. We are now on the street with three requests for proposals for 801 using the 1986 authority, with very tight time frames for making those awards by the end of the fiscal year before the authority expires. If it could be extended for five years, we would be in a better position to plan our execution of that program and not really be up against the stops to award before the authority expires each year not knowing whether it is going to be extended or not.

Mr. **COLEMAN**. Yes, I see.

Mr. **HEFNER**. We are running out of time.

The award on 801 projects today have been either the highest or second highest bidders. Because of the prominent use of lease ceilings and the awards to high bidders, it is my contention that the 801 program is designed to get the highest quality house at the highest allowable cost. There appears to be no provision in the current bidding procedures, to take advantage of competition in the private sector, and no incentive to bid at less than the maximum price. Do you agree with this? This may be something we talked about earlier, you may have alleviated that. Does that apply to the 801 housing also?

Admiral **JONES**. We are working on that, sir. We have to do some modifications to our requests for proposals. What we have done is emphasized to the proposer that the ceiling price is not a target but it is a maximum, and that we are looking for the best house for the lowest price.

Mr. **HEFNER**. It meets all the requirements?

Admiral **JONES**. That meets the requirements.

Mr. **HEFNER**. Okay.

At this time, I yield to the gentleman from California.

Mr. **LOWERY**. Thank you, Mr. Chairman.

[**CLERK'S NOTE**.—The following questions were submitted by Mr. Hefner:]

Question. The Committee has questioned the process of specifying the lease ceiling in the Requests for Proposals because the results to date have shown that bids submitted tend to be clustered at the ceiling or maximum price. Since the intention of this program is to get housing at less cost, why must the use of lease ceilings, which represents the 20 year cost to build our own housing, be so prominent?

Answer. The situation is the same with every MILCON project appropriated. The appropriated amount is part of the public record and the bidders know what the government maximum is on every MILCON project. We are told that 801 proposals cost developers about $100,000 each. If the developer bids over the government maximum we can't use that proposal and the developer has wasted a lot of money. We want competition and the future participation of the developers. If an owner has some upper cost limit which he will not exceed and fails to communicate that to those developing proposals, he will soon have no proposers. The key, as with a MILCON project, is to set the maximum correctly and identify it as a maximum—not a target.

Question. What sort of response do you anticipate from the private sector with these lower lease ceilings?

Answer. The lower ceilings reflect lower interest rates which represent a lower cost to the builder. The proposer interest has been high and should not decrease.

QUESTION. Are any of the other winning proposers experiencing difficulty securing permanent financing?

ARMY RESPONSE. Financing has been difficult for all the Section 801 projects, but indications are that a limited market does exist.

NAVY RESPONSE. Our limited feedback from proposers indicates that permanent financing is hindered by the following considerations:

> The "subject to annual appropriation" requirement increases risk to financiers. The government should be able to provide better assurances to developers that the government intends to honor its commitment to pay lease costs over the long term.
>
> Ability to obtain "rated bonds" (favorable interest rates) for long-term financing.
>
> Developer's assets are required for financial security thus reducing capability to pursue multiple Section 801 projects.

AIR FORCE RESPONSE. The winning proposers at Eielson Air Force Base, Alaska, and Hanscom Air Force Base, Massachusetts, apparently have had no problems obtaining permanent financing. Winning proposers have not been selected on any other Air Force Section 801 projects.

Question. The discount rate used to estimate costs has been lowered from 12% to 9.6% based on the value of 20 year treasury bonds at the time of analysis. This one change accounts for a large part of the cost reductions from last year. Do you anticipate the discount rate used will change every year and will it continue to fluctuate to this degree?

Answer. GAO and OMB both agree that the market rate of a 20 year treasury bond is the appropriate rate to use for the discount rate of a 20 year lease. The 20 year rates fluctuate less than the short term bond rates however we do expect the rate to change each year based on the market.

Question. The winning proposer at Fort Drum, New York has had difficulty in securing permanent financing for the Section 801 project at that location. Can you update us on this situation and explain why he has had difficulty?

Answer. Both winning proposers for Section 801 housing at Fort Drum have experienced difficulty in securing permanent financing. The fact that the Section 801 program is a test program and new to the financial community, coupled with the "subject to annual appropriation" language, has limited the marketability. The "subject to annual appropriation" issue seems to have been accepted in some markets; however, the "temporary" nature and unknown future of the program tends to limit financial sources from invest-ing the time and cost involved to design financing packages. Long term financial commitments are expected to be in place for the Fort Drum projects by the end of April 1986.

Question. The 801 project approved at Fort Wainwright, Alaska is currently under protest. Explain the basis of the protest and the current status of a decision.

Answer. Three unsuccessful bidders on this procurement, Fort Wainwright Developers, Fairbanks Associates, and Sadco Enterprises, have protested to the General Accounting Office (GAO) against award by the Alaska District to North Star Alaska Housing Corporation. In summary, the parties contend that North Star's proposal should have been rejected by the Corps as not in conformance with the solicitation requirements. The major grounds of contention are that North Star's proposal: 1) exceeded the maximum cost limitation in the RFP; and 2) contained building and site design defects.

In view of the complexity of the case, the GAO has recently informed the Corps that two separate decisions will be issued in this case. The first such decision will be rendered by mid-May. The second decision is expected shortly thereafter.

Question. How much has this protest delayed this project?

Answer. The Alaska District awarded the contract to North Star on December 31, 1985. North Star was subsequently directed by the Alaska District to cease performance on January 11, 1986 as a result of the first of the three protests filed at the General Accounting Office. Delay has resulted from the "automatic stay" of project performance required by the Competition in Contracting Act when a GAO protest is filed within ten days of contract award. This delay was, however, limited by the approval of the Secretary of the Army (Acquisition) (SARDA) to the Chief of Engineers' request that performance continue on the subject contract notwithstanding the protests. SARDA's approval was granted on March 25, 1986, and the Contracting Officer directed the contractor to proceed on March 26, 1986.

Question. Has OSD developed criteria for deciding when a Section 801 or 802 project should be pursued instead of a traditional military construction project for obtaining military family housing? If so what criteria is used? If not, how do the services decide where to use the 801/802 approach instead of traditional military construction?

Answer. No. The test program is giving us the data to set criteria. The 801 and 802 programs are attractive because they limit DoD involvement to 15 or 20 years, after that time the houses are on the local inventory and we do not need to own them. 802 looks like it is viable only where land and construction costs are low. 801 looks like it may work at most locations. We've been using the program to date to fill our most critical housing deficits.

Question. Has OSD developed criteria for deciding which program is more appropriate for a particular locale? That is, when a project should be constructed under the 801 option versus when a project should be constructed under the 802 option? If so, what is the criteria? If not, what have the services used to decide which type of project to pursue?

Answer. The test program is yielding data which will help set criteria.

802 looks like it has only limited application. The lease cannot exceed a serviceman's VHA and BAQ and developers have told us they cannot develop projects at those low prices except in areas where land and construction is very inexpensive. Only two of six 802 projects have had successful proposals.

801 however is limited by the cost of the MILCON alternative—a lot more money is available per project. We've received conforming proposals on all 801 projects.

It is better to use an 802 where it will work as the cost to the government is much less than 801.

Question. While currently proposed 801/802 projects are to be constructed off-base on privately owned land, prior projects have been planned on-base and the law does allow for construction of the projects on government owned land. Has OSD developed any criteria for the services to use in deciding when an on-base option would be preferable to an off-base project? If so, what is that criteria? If not, how is OSD addressing the question of whether or not to allow 801/802 construction on-base? Are any on-base future projects currently planned?

Answer. When built on base the government will probably buy the units after the lease period. When built off-base we've induced a private solution to the housing shortage. After the lease period, off-base units become part of the private housing inventory, some of which is available to Service members. Our assumption on the 1984 tax law is that units on-base probably cannot use accelerated depreciation tax advantages, so the off-base alternative is attractive to investors. An on-base option might be preferable to off-base where there is a lack of land or infrastructure. While on-base projects have not been ruled out, none are currently planned.

Question. The law requires an economic analysis be submitted for each proposed project demonstrating that the project is cost effective when compared to the military construction alternative. If an 801/802 bidder does not exceed the cost ceiling included in the RFP could the economic analysis ever show the 801/802 project to be the most cost effective method? If so, under what circumstances could this occur?

Answer. If the bidder is below the published cost ceiling and the ceiling was set in accordance with OSD guidance then an 801/802 bid less than the ceiling will always be less than MILCON.

If no bids are received, it would indicate that MILCON is the cost effective solution.

Question. One of the basic assumptions behind the 801/802 program is that the private sector can build and operate housing for service members at a substantially lower cost than traditional military construction. Therefore, does not the setting of a cost target which equates to what the project would cost if built under traditional military construction and operated by the military frustrate the government obtaining adequate housing at this lower cost? For example, maintenance costs are based on what it would cost the government to maintain the housing. However, the government would be required to pay Davis-Bacon prevailing wage rates. Do these same rates apply to the maintenance provided by the 801 builder?

Answer. It is not our assumption that the private sector can build the same house we specify for MILCON at substantially lower costs than DoD. We do not set a cost target. We set a cost maximum. We give the developer the opportunity to provide the best combination of cost and quality. The private sector normally builds units which are smaller than ours and will not meet 801/802 requirements. Our two-bedroom unit is 950 net square feet where a private two-bedroom apartment is typically 750 net square feet—but we'll assign a couple with two children to that unit and the private sector two-bedroom is typically rented by a single person or a couple.

The DoL has ruled that Davis-Bacon wages apply to 801 projects meaning the same wages are charged in either case during construction and for some maintenance actions that meet the Federal Acquisition Regulation (FAR) definition of construction. Much of our housing maintenance is already done by the private sector through competitively bid projects.

Question. Is the evaluation system used in assigning quality points the same for 801/802 projects as it is for family housing construction?

Answer. The procedure is called a one-step, dollars-to-quality-point determination and is essentially the same for both MILCON (Turnkey) and 801/802, the only primary difference between Turnkey and 801/802 is that 801/802 includes additional consideration for maintenance, repair, and operational services.

Question. Since the inclusion in the agreements of requirements for performance bonds and penalties for not meeting construction deadlines has been inconsistent to date in the approved projects, how can DoD assure contractor performance? Are there specific planned steps, short of non-acceptance of the project that DoD can take? Are there plans to assure consistent treatment of future projects vis-a-vis performance bonds and penalties for not meeting construction deadlines? What are those plans?

Answer. The Model DoD "Agreement to Lease" provides for liquidated damages for not meeting construction deadlines, we may also at our option cancel or terminate the agreement or establish a new schedule.

Services' comments follow stating why they use or do not use a performance bond.

Army: The Army discussed performance bonds and decided against them since they did not seem appropriate to guarantee completion of a contract which included operation and maintenance over a twenty year period. The cost of the bonds would drive up the cost of projects unreasonably without ensuring the government would get the required housing in a timely manner. An exception was made in the case of the Fort Wainwright project since it is on-post and it was decided that in the event of default, funds would be required to either finish the project or at least remove materials and partial construction from government property. We believe the two remedies of the RFP for liquidated damage and option to cancel or terminate are sufficient protection for off-post projects.

Navy: The interests of the financial backer is the strongest guarnatee of performance we could have. The developer's backers will more than likely require him to have a performace bond because of the limited commitment of government (i.e., we can walk away from the lease for non-compliance with the terms), so it is not necessary to duplicate this requirement.

Air Force: The Air Force concluded that performance bonds were necessary for projects constructed on-base to preclude problems which could arise from a partially completed project on Air Force land. Since we no longer intend to contruct on-base, there is no need for performance bonds on future projects.

Question. Has DoD considered drafting 801/802 contracts that involve a lower initial shelter rent, but escalation of the shelter rent as well as the maintenance rent? Such a scheme, if properly designed, could have the same cost in present value terms as a contract with a flat shelter rent. It would have the advantage, from the Government's point of view, of "backloading" the cost and providing more incentives for contractor performance in the later years of the project. In the case of 802 programs, it would help alleviate a possible problem of a gap between prevailing rents (which are likely to escalate over time) and the rental guarantee (which is fixed). In such a circumstance, the contractor may have an incentive to discourage occupancy by service members in the later years of the project. This approach might also make 802 projects more attractive at a greater number of locations.

Answer. We believe that this is one method of making the projects more viable, especially the Section 802 projects. However, this would require modification of the law.

Question. What factors cause on 801 project to result in a savings, according to DoD's own analyses, of less than 1 percent at some sites (e.g., Tidewater) and over 20% at other sites (Eielson)? What is DoD doing to identify those sites where an 801 project would do the most good in terms of producing significant cost savings, and giving them highest priority?

Answer. Our tests to date indicate 801 will work in almost any location we can use a MILCON project. We're using our 801 authority to solve our most critical housing deficits at a price that is cost effective compared with MILCON. We find through our economic analysis what a MILCON project would cost and tell the bidders they cannot bid over that amount. The bidder who puts together the highest quality project for the dollar and does not go over the maximum wins. The local market forces determine the bid and any savings.

Question. Provide for the record a list of all locations where you intend to seek section 801 authority for 1987. These locations and project size should be prioritized by service.

Answer. The Army requested 3,000 units of Section 801 housing in fiscal year 1987 at the locations listed in priority order below:

Location:	*Units*
Fort McCoy, Wisconsin	68
Oahu Consolidated Family Housing Office, Hawaii	400
Fort Polk, Louisiana	423
Aberdeen Proving Ground, Maryland	285
Fort Bliss, Texas	300
Fort Story, Virginia	167

Fort Wainwright, Alaska	350
Fort Eustis, Virginia	117
Fort Hood, Texas	300
Fort Benning, Georgia	108
Fort Campbell, Kentucky	300
Fort Sheridan, Illinois	63
Fort Bragg, North Carolina	119

The Navy and Air Force did not request authority for additional Section 801 projects in their fiscal year 1987 programs. However, the Navy is exploring the continued use of the Section 801 program at locations where they are trying it now; for example, Norfolk, Virginia; Staten Island, New York; and Mayport, Florida. The Navy also plans to attempt 801 projects at locations where they have other major housing shortfalls, such as San Diego, San Francisco and Long Beach, California. The availability of land in the community appears to be critical factor in the success of an 801 project. The Air Force is considering Section 801 housing to reduce deficits at Sunnyvale AFB, California; Norton AFB, California; Pope AFB, North Carolina; and Andrews AFB, Maryland.

[Clerk's note.—This concludes Mr. Hefner's questions.]

PERCENTAGE OF MILCON GOING TO HOUSING

Mr. Lowery. Can you tell me what the percentage of the total Milcon budget by branch goes for housing?

Mr. Stone. Our budget request is $10.3 billion and of that $3.4 billion, almost exactly a third, is for family housing. Most of it is for operating and maintaining our existing inventory and $500 million is for building new houses.

Mr. Lowery. Are those ratios fairly consistent the last several years?

Mr. Stone. The last couple of years it has been like that. Before about 1982 there was a long dry spell during which we built very few new houses.

Mr. Lowery. Prior to '82?

Mr. Stone. Yes. We have built as many in the last three years as we had in the previous nine years.

FAMILY HOUSING SHORTFALL

Mr. Lowery. What is your estimated shortfall by branch?

Mr. Stone. I can give you the details for the record. Our calculated shortfall is just over 61,000 but it is the product, of a crazy set of rules that artificially suppress the number. We don't allow the Services to count as a requirement a place where Service people are paying prices that they really can't afford for houses. If it is a sergeant, our standard says he ought to be able to pay $600 a month for a house, and if he is paying $1,200 a month, as some of them are, until recently we haven't allowed the Services to count that sergeant as having a housing problem. So the 61,000 kind of pretends that cost to the Service members is no problem.

Mr. Lowery. Is that being changed?

Mr. Stone. We have changed the rules and our next surveys I believe are going to show substantially larger shortfalls.

Mr. Lowery. Do you have a guess as to what that number might be?

Mr. **Stone**. We got a quick guess that it will go up 15 to 25 percent. In some areas like San Francisco, it will go from hardly anything to a lot because the big problem in San Francisco is cost.

Mr. **Lowery**. I would like to break out of the shortfall estimate cost for the Navy's new home portfacilities, if you could give us that.

Mr. **Stone**. We will be glad to.

[The information follows:]

The only new home porting location included in the estimated DoD shortfall of housing is New York, where the Navy believes that the community will not be able to fully meet the housing needs of our families. We estimate the need for acquiring about 900 units of housing between now and 1992. The first 300 units are contained in this FY 87 Budget request at an estimated price of $28.3 million. We are currently exploring acquisition of 200 units of housing under authority of Section 801 Lease-Construction and our Request for Proposals is now on the street. Our maximum expenditure on this effort would be $2.42 million per year. The balance, or 400 units, will be acquired through a combination of military construction and Section 801, if the legislative authority is continued.

Mr. **Lowery**. What are the criteria for the 801 program? When do you decide whether you are going to go that route or traditional Milcon funding?

Mr. **Stone**. The main criterion is if we can get a favorable bid that gives us the houses under section 801 cheaper than under Milcon, then our rules say to go ahead and do that.

Mr. **Lowery**. Are there specific guidelines, or is it done on a case-by-case basis?

Mr. **Stone**. I think it is case by case. Everyone around me is nodding, so I would say it is case by case.

Mr. **Lowery**. How do you make that determination?

Mr. **Stone**. What we have is a very, very tightly constrained construction budget. We have a long list of unmet housing needs. The Services tend to take their sparse allowances for the construction budget and commit them, and where they have other areas where there are big shortages, big housing problems, they will try to solve those using section 801 or through some of the other measures that I summarized in my statement.

Mr. **Lowery**. To get more housing on line sooner?

Mr. **Stone**. Yes sir.

Mr. **Lowery**. What is the determination whether you build it on existing military land or outside military reservations?

Mr. **Stone**. I don't think we have a single rule. This year all of the projects we are proposing to bid are off base and the thing that seems to be driving that is cost. It looks like it is cheaper for us to buy or to lease section 801 projects off base because the developer gets better tax treatment on off-base housing than on-base housing.

801 AND 802 PROGRAMS

Mr. **Lowery**. What is the difference in cost in the 802 versus 801 programs?

Mr. **Stone**. We don't really have a side by side comparision. What we have found is that the section 802 projects, on those we limit the lease cost to the cost that we think a service member ought to be able to afford—for a sergeant, say $600 a month—we found in most areas of the country that we didn't get any bidder when we went out with an RFP because housing is just more expensive than the rental guarantee allows us to get housing for.

I dug up an interesting number. In Norfolk, we have an 801 project that we are spending $960 a month for. The housing allowances for an E-6, a first class petty officer, in Norfolk, are under $500 a month. When we go out with an 802 project, we say we want you to offer to rent these places for $500 a month, and they can't do it.

U.S. MANUFACTURED HOUSING

Mr. Lowery. What is the department's current position on requiring U.S. manufactured housing for overseas requirements?

Mr. Stone. It is the law. The department's position always is to follow the law. I personally like it, because it gives us an edge and it gives us a constituency for building houses overseas which we need quite a lot of.

Mr. Lowery. Is that a unanimous feeling in the Services?

General Ellis. Yes sir.

Admiral Jones. I would comment from the standpoint of Subic Bay and the Philippines. We have good quality houses in our E-4 programs at Subic Bay. We are going back out on the street for 1986, with the expectation of being able to make an award at a reduced scope because of the dollar problem. We are satisfied with, at least at the present time, with what we are building in Subic Bay. That was U.S. manufactured housing shipped to the Philippines.

General Ellis. We are building most of ours in Europe and we have no problem with it, but the Europeans have lots of trouble with it and work very hard at making our job of execution difficult by establishing criteria that don't match our U.S. manufactured housing criteria. We have managed to overcome all of those problems through the embassies and status of forces agreements and the ruling has been that we are not going to use less manufactured housing, but it has taken us a long time to execute.

Mr. Lowery. What does that do to cost?

General Ellis. In the United Kingdom it has run costs up. I don't know what the component of that is over devaluation of the dollar, et cetera, but we are going to have to build less housing in the UK than we planned to build.

Mr. Lowery. What are the relative costs to contracting with local or U.S. firms to build on site housing, traditional stick built houses?

HOUSING DEFICITS

General Ellis. I don't have those numbers. I would like to provide those for the record. What gets in our way are environmental concerns or architectural compatibility concerns so, in some cases, we bring the U.S. manufactured product and then cover it with whatever makes that local burgermeister or local English lord—I don't say that pejoratively—happy with what we are building in his town.

Mr. Lowery. What is the housing deficit in San Diego—and confirm these for the record—the number I had for bachelors was

11,364, family housing deficit 6,156, broken down by various categories of officer, enlisted and E-1 through E-3s.

If you could confirm the accuracy of those numbers.

Admiral **Jones**. Yes sir.

[The information follows:]

New Construction

While we do not have any project awards in the U.K., we have received proposals on two projects; one at Upper Heyford and the other at Greenham Common. Both proposals exceeded the programmed amounts. We are currently negotiating the Upper Heyford project and it now appears that this project will be awarded within the programmed amount. Comparing this project to the buy-out costs of recent build-to-lease contract awards in the U.K. reveals a variance in cost of 25-35 percent. It is subjective to say the entire difference is due to the use of U.S. manufactured housing, but in this single instance in the U.K., an estimate of 20 percent is reasonable.

The deficit numbers you have were obtained from the family and bachelor housing surveys conducted as of 30 September 1984. The 11,364 deficit for bachelors should be 11,512. This represents the number of spaces we need to meet our programming limit. This deficit is broken down as follows: 1,208 for officers, 1,809 for A School students, and 8,495 for enlisted personnel.

The family housing deficit you have, 6,156, is accurate. This number represents the total number of families for whom suitable housing was unavailable as of 30 September 1984. The categories which make up this number are 430 officers, 3,691 E-4 through E-9 enlisted personnel, and 2,035 E-1 through E-3 personnel.

Mr. **Lowery**. When you are going to apply your new criteria to local market housing being considerably higher than the housing allowance, I would be very interested in seeing what those numbers are for San Diego, one of the higher housing markets in the country. I would suspect it is going to dramatically increase those numbers further, but am I correct in my understanding it is 61,000 deficit systemwide—and I assume that is only family housing?

Mr. **Stone**. Family housing.

Mr. **Lowery**. Six thousand of one, ten percent shortage is in the San Diego market?

Admiral **Jones**. That is an apples and oranges figure, Mr. Lowery. The total unconstrained deficit is 6,000. The buildable deficit and programmable deficit in San Diego under the current OSD guidance is about 2,000 units.

Explain that to me.

Admiral **Jones**. Let me explain that for the record, please.

Mr. **Lowery**. If you would, for the record.

[The information follows:]

The approximately 6,000 unit deficit referred to represents the total unconstrained need which existed on 30 September 1984 and which was projected to continue for five years. The "programmable deficit" represents the total number of housing units which, under current OSD criteria, we will be allowed to program for Navy acquisition over the same five years. Before we recommend an acquisition project, however, we do an analysis of historic trends in community development, combined with an independent assessment of the private sector housing market. This gives us a better reading on a given location and in most cases we then estimate that a portion of the total deficit will be satisfied by the community. The remainder becomes what we term the "buildable deficit," or the minimum number of housing units the Navy must produce to satisfy our need. In San Diego because of the long standing housing problems, the programmable and buidable deficits are essentially the same and we are estimating the need for approximately 2,000 Navy acquired new housing units for the five year period.

Mr. **Lowery**. Right now in 20 words or less, what does that mean?

Mr. Stone. It is an OSD rule and I don't want to put Admiral Jones in the position of having to say OSD has a crazy rule, but we tell the Service that they can only program construction to meet a portion of the deficit and it doesn't make much sense. That is one of the rules that we have got to change. For example, the Navy does a calculation in San Diego and they say we have a deficit of 6,400. But they can't. Our rules don't allow them to put 6,400 houses in the program. We only allow them to put 2,000 units in the program, as Admiral Jones said.

Mr. Lowery. Why?

Mr. Stone. The theory originally was——

Mr. Lowery. This sounds like the IRS code.

Mr. Stone. I would hate to defend it any more than that. The theory originally was that some of the deficit can be met by the private market, but that doesn't make any sense because if the private market were meeting our need there wouldn't be a deficit. I think the rule is wrong.

Mr. Lowery. What is being done to rectify it?

Mr. Stone. We are changing the rule.

Mr. Lowery. What is that going to do to our 60,000?

Mr. Stone. It is going to increase it.

Mr. Lowery. The 15 percent that you mentioned earlier?

Mr. Stone. I am a little confused.

Mr. Lowery. Applying the same rule, if the market housing is at or below housing allowances, it will not be considered a deficit; if it is higher than that it will be?

Mr. Stone. No, what I want to do is to get honest projections of what the deficits are. What we now tell the Services is that they can program to 90 percent of the effective requirement. What I need to tell them is that they can program to 100 percent.

Mr. Lowery. I am a little confused. If the Navy is saying there is a shortfall of family housing of 6,156 in San Diego, and you are saying that the formula used under the existing 2,000 units, that is an awful lot more than a ten percent differential.

Mr. Stone. Sure sounds like it.

Mr. Lowery. It is a 300 percent differential.

Admiral Jones. I will answer that for the record.

[The information follows:]

In projecting requirements five years into the future the two major variables involve the number of military personnel who will be assigned and the number of suitable community housing units which will be available for those personnel. In order to avoid overbuilding, OSD currently rquires a 10% "safety factor" be applied to the total number of military personnel projected. Thus if we project 40,000 families in San Diego in five years, OSD requires us to subtract 4,000 of them before we calculate our need. In order to get a better projection on the number of community assets than is obtained from the existing family housing survey, we do an independent analysis of historic trends in community development, combined with an independent assessment of the private sector housing market. To illustrate how the numbers translate, the following display is provided using San Diego as an example:

Data points	Family housing survey under OSD criteria	Family housing survey under Navy analysis
Number of families projected to be in San Diego in 5 years	40,000	40,000
Subtract 10 percent "safety factor"	−4,000	NA
Family housing survey-identified suitable community and military family housing units (September 30, 1984)	−33,800	−33,800
Programmable deficit equals line 1, minus lines 2 and 3	2,200	NA
Market and trend analysis-idenified housing units that the community can be expected to provide	NA	4,200
Buildable deficit equals line 4 minus line 5 (line 5 is usually much larger)	NA	2,000

General **Ellis**. I think where we are having trouble, Mr. Lowery, is that there is a difference between what we would want to build, how many people we have on the housing list and what we are permitted to build. The declaration of criteria that says what is an adequate house is based on whether he is an hour from the base, if he can drive to the base within an hour, if he is authorized four bedrooms he has a four bedroom, those types of rules reduce this 6,000 deficit. Once he reduces that by that set of rules, there is also a rule that says how much he can spend, maximum allowable housing cost, which is about 25 percent of your pay last time I looked. If you are spending less than that then the house is adequate. You reduce that 6,000 by those criteria, severe criteria from the Air Force spectrum.

Mr. **Lowery**. Is the current criteria one hour commuting each way?

General **Ellis**. Yes sir. If you can get to the base within one hour.

Mr. **Lowery**. That criteria is fairly subjective depending upon how overcrowded traffic is, is it not?

General **Ellis**. Yes.

Mr. **Lowery**. There are areas of Texas, in an hour you can probably go close to 60 or 70 miles. In urban areas, you may only be able to move ten miles.

General **Ellis**. But we have as a rule—Mr. Stone—I guess, if I might, we have leaned heavily toward the community providing us housing where they can.

Mr. **Lowery**. That is certainly a preferred way to go, but there are certain areas of the country—I would like to think the coastline, I suspect the Navy has a greater problem with this than other branches—there are far lower vacancy rates and far higher cost of housing that skew that. You are going by the nature of the mission, and you are not going to be able to appreciably impact upon that, is that correct?

Admiral **Jones**. We are having difficulty, of course, in our budget because of our total constrained budget for military construction, of building anytime soon 2,000 units in San Diego, yes sir.

Mr. **Stone**. We are in the middle of a change in policy, Mr. Lowery, and it may explain some of the confusion. We have had a policy imposed by OSD that greatly limited the Services' ability to program for family housing. By saying you can only build a certain portion of the deficit that you calculate, and that you can't calculate a requirement when a person is paying $1,200 a month, we have artificially kept the numbers down.

Where we are going is to develop a rule that says that the local installation commander is responsible for making sure that there is excellent housing available for his people and putting it on him to determine what the requirement is in that area. Conditions in San Diego might be so much different than conditions in El Paso that a formula written in the Pentagon won't apply to both places, and we want to move that calculation where it belongs—to San Diego or to El Paso.

Mr. LOWERY. When do you expect all of your updated realistic studies based on the real world, not artificial formulas, when do you expect that to be completed?

Mr. STONE. I am not sure when we will have a good estimate of the total requirement. We are going to publish the rules in the next couple of months. It is hard to say how long it will take the system, the commander at San Diego or the commander at Bremerhaven, to redo their assessments in line with the new rules.

Mr. LOWERY. I think the Public Works people in each of the regions of the country have a pretty good idea of what the real world is, do they not?

General DACEY. There are two other variables there that you have to work with. In 1984 we sat down and we made our surveys and then made our estimates. Then we said in 1986, of the soldiers that show up at Fort Riley, Kansas, how many of them are going to be married and how many are going to be single. Once you make that guesstimate, then you program against a problem family housing deficit and one for the unaccompanied enlisted personnel.

In 1986 when it came time to execute, we cancelled three of the unaccompanied housing projects simply because more of the people showed up at the gates with spouses than we had projected. So that authorization and that appropriation was lost to the Army because there isn't any mechanism then to turn around and move that over into the family housing account at that late date.

Mr. LOWERY. Where did that money go?

General DACEY. The money was then reported back to the committee under certain terms of savings directed by the committee or applied in lieu of new appropriations against other proposals, as you did last year in a number of Army projects.

There is a caution that we have to work with each one of our commands as we get near to the 100 percent. Before, as Mr. Stone said, it was an arbitrary 90 percent in certain situations. Where you have a stable force structure, and relative stability in the trend lines as to what has been happening to the distribution demographically of the population that is showing up, then you should be able to go higher and he is getting the restrictions removed where we can. We will still have to exercise caution to make sure we don't get into a position where we have empty family housing but we don't have room for the single troops on the post.

Mr. LOWERY. How do you determine what areas get priority? I can understand that you can easily reach that point which would be very wasteful. You also have areas of the country—I am sure San Diego happens to be one of them—where you have got outrageous deficits and there are no projections in the future where you are going to come close to meeting those needs, and do those areas have any priority? Where are the major deficit areas in the housing?

Admiral **Jones**. As far as Navy is concerned, places like San Diego, and San Francisco.

Mr. **Lowery**. Is it just California?

Admiral **Jones**. No sir, we have deficits in other places as well, but——

Mr. **Lowery**. Would you submit that for the record as well?

Admiral **Jones**. Yes sir.

Mr. **Lowery**. What your best estimates are.

Admiral **Jones**. Yes sir.

[The information follows:]

In addition to the critical housing shortages in San Diego, Long Beach and San Francisco, the Navy has major housing deficits in Staten Island, NY; Norfolk, VA; Mayport, FL; and Charleston SC. There are a number of other locations facing housing shortfalls of a lesser magnitude but no less serious impact on the Navy families.

Mr. **Lowery**. How about the Air Force?

General **Ellis**. We have under the current rules, a 25,000 unit deficit, 20,000 which is overseas, and 5,000 throughout the United States.

Mr. **Lowery**. Most of your problems are abroad?

General **Ellis**. Yes sir.

Admiral **Jones**. Our problem is in the United States and our total deficit under the current rule is about 20,000.

Mr. **Lowery**. Okay.

General **Dacey**. Army 29,000, 17,000 outside CONUS, 12,000 in the United States. That includes the figures for Fort Drum and Fort Wainwright, which are new initiatives.

Mr. **Lowery**. How much for those two locations?

General **Dacey**. We have 1,200 units that we have asked for in addition to 800 that were authorized last year, and that is in addition to what we are putting in in the section 801 program, sir.

Mr. **Lowery**. Let me ask, 30,000 for the Navy?

Admiral **Jones**. That is——

Mr. **Lowery**. That is based on 2,000 being in San Diego or 6,000?

Admiral **Jones**. Two thousand.

Mr. **Lowery**. I would be very interested in your keeping the committee updated on where we are going. One thing I will say, I commend you for spending better than a third of the resources for housing. It is obviously a major criteria for families being somewhat happy under difficult conditions, and wherever we can improve the quality of life, I think it is going to make a dramatic impact upon retention and the amount of money we spend on training. That is going to contribute greatly to our security as well as doing far more efficient low costs.

Admiral **Jones**. I point out in San Diego one of our real constraints has been the availability of land to build military construction family housing on. We have the approval last year to dispose of the property that is being severed south of Miramar by highway 62. We are proposing with that sale, authorized by the Congress, to use those funds to purchase land for the construction of family housing. As soon as we get on with that, we will have a place to put them, which we don't have today.

Mr. LOWERY. It has had a very effective task force located on several dozen sites——

Admiral JONES. Yes sir.

Mr. LOWERY. —that would be appropriate.

I appreciate the committee's indulgence.

Mr. STONE. May I say one more thing.

Mr. Lowery, the fraction may go up over a third in future years. The Chief of Naval Operations has directed his staff to make sure that by 1992 the Navy has eliminated the housing deficit that they face. We have been going after it a couple of percent at a time and Admiral Watkins has said 1992 is the end of the line. We are going to have it fixed by 1992.

Mr. LOWERY. Will that be eliminated based upon the artificial criteria or upon the real world?

Mr. STONE. I don't think Admiral Watkins cares about the artificial criteria, he cares about whether sailors are housed.

Mr. LOWERY. Can I take that to mean that——

Mr. STONE. Ninety-five, I am sorry.

Mr. LOWERY. Okay, because you know 200 or 300 units—take our own situation—200 or 300 units every two or three years isn't going to nearly meet that need, if you are telling me it is really 6,000. I am sure the situation you outlined where sailors are paying for more than their housing allowances for housing, that that would go up even higher. I don't see even with the improved performance over the last four years where you are going to come near meeting that.

INSTALLMENT PURCHASE

Mr. COLEMAN. Let me ask some questions for the chairman.

Last year the committee directed that the option of installment/purchase of new housing be pursued by the Department of Defense. No implementing legislation was proposed and it is my understanding that the Department of Defense does not favor this option because it violates their "firm policy of full funding." Could you explain the department's position more fully?

Mr. STONE. The policy, the rules under which we put the budget together, say that we have got to provide funding up front for the total obligation over the lifetime of a project and the rule in my view, is somewhat arbitrary. But it says if we are going to buy a project, over a 20-year period, at five percent a year, we have got to have obligational authority in this year's budget for 100 percent even though we only spend five percent each year. So it makes lease/purchase quite unattractive to us. If we have to put all the money in this year's budget, then why go ahead with the lease/purchase, why not just purchase it?

Mr. COLEMAN. The reason you have to do it is because that is the way the statute is, is that correct?

Mr. STONE. No, it is an OMB rule that the Department of Defense routinely follows.

Mr. COLEMAN. Congress could in fact pass a statute?

Mr. STONE. Yes, you could.

Mr. COLEMAN. Enact legislation to do just that and take care of it that way?

Mr. **Stone**. Yes sir. Congress has done that in the past on major hospital projects. That is up to the Congress. But our rules say that we can't for lease/purchase.

Mr. **Coleman**. What would be the Services's view, what do you think of that?

General **Ellis**. We support that. We built at least a third of our inventory, we finish paying the bill in the next couple of years for that. It was a great way to build for us and for the industry.

Mr. **Coleman**. Admiral?

Admiral **Jones**. I would say that is right.

Mr. **Coleman**. General?

General **Dacey**. I totally support it. When we went through Fort Drum in looking at the advanced authorization and then the incremental appropriations, we were dancing on that same stage trying to figure out what do we do to get the economies and efficiencies. Any kind of a present worth analysis will tell us that is a very smart way to conduct your business. We have to figure out how to realign the rules so we can do it.

Mr. **Coleman**. If the program were structured to require full funding of the 20 year purchase cost in the first year, the government would still realize savings based on stretching out the outlays over this period. Would the Services favor this approach?

General **Dacey**. If I have a constant obligation authority, then I will only get five percent of the number of units that I could have gotten if we could have that arbitrary restriction removed.

Mr. **Coleman**. I understand that.

[Clerk's note.—The following questions were submitted by Mr. Hefner:]

Question. Would you supply the Committee with a draft of the legislation necessary to implement this program on a test basis?

Answer. Yes. The following is provided as a drafting service in response to your request and does not constitute a commitment with respect to the position of the Administration or the Department of Defense as the proposal has not been reviewed or approved as a part of the President's program.

LEASE-PURCHASE OF MILITARY FAMILY HOUSING

SEC.8XX. (a) Notwithstanding any other provision of law, the Secretary of a military department may enter into a contract for the lease-purchase of family housing units and facilities where there is a validated deficit in family housing and facilities.

(b) Each contract under this section shall be awarded through the use of competitive contracting procedures. Such contracts may provide for the contractor to operate and maintain such housing units and facilities for the entire period of the Lease-Purchase contract.

(c) Each contract under this section shall require that housing units and facilities acquired pursuant to the contract shall be constructed to Department of Defense standards.

(d) A contract under this section may be for any period not in excess of 20 years (excluding the period required for construction of the housing units and facilities).

(e) A contract under this section shall provide that the United States shall acquire all right, title, and interest to the housing units and facilities that were the subject of the contract upon expiration of the lease-purchase contract or the termination of such contract for any reason.

(f) Lease-purchase contracts under this section shall be counted as budget authority only to the extent and in those years of the annual payments required by the contract; such annual payments may be made from funds available for family housing operation and maintenance.

(g) A contract may not be entered into for the lease-purchase of housing units and facilities under this section until--

(1) The Secretary of Defense submits to the appropriate committees of Congress, in writing, an economic analysis (based upon accepted life cycle costing procedures) that demonstrate that the proposed contract is cost effective when compared with alternative means of furnishing the same housing units and facilities; and

(2) A period of 21 calendar days has expired following the date on which the economic analysis is received by those committees.

(h) This section may be implemented only by a pilot program. In carrying out such pilot program, the Secretary of each military department may not enter into contracts for more than 3,000 units. A contract may not be entered into under this section after 30 September 1990.

Question. Could you explain how the target cost for section 802 projects is determined?

Answer. The cost for Section 802 projects was limited to the amount of allowances (i.e., BAQ and VHA), plus the amount of expenditure the soldier is expected to absorb out-of-pocket, less an allowance for the expected cost of utilities.

[CLERK'S NOTE.—This concludes Mr. Hefner's questions.]

Mr. COLEMAN. Why aren't the Services placing much greater reliance on the 802 program?

Mr. STONE. The developers won't bid.

Mr. COLEMAN. All right.

DEFENSE AGENCIES PROGRAM

I saw in the request for Defense Agencies. $17.6 million for family housing, and I understood those agencies include the Defense Mapping Agency, the Defense Intelligence Agency, NSA, and the Logistic Agency. Could you give a better description of that, what that $17.6 million is and are these in fact family housing for members of the Services?

Staff advises me a lot of that is for leasing for attaches at embassies, is that right?

Mr. STONE. A lot is for leasing. It is almost all for military people assigned to embassies as attaches. I will be happy to provide some full details on that, Mr. Coleman.

Mr. COLEMAN. Okay.

Mr. STONE. Here it is. There is construction of three units for defense agencies. Only three units out of our 5,600. We are operating 500 existing units and about 75 or 80 percent of the total request is for leasing overseas.

Mr. COLEMAN. Okay.

[CLERK'S NOTE.—The following questions were submitted by Mr. Hefner:]

GENERAL AND FLAG QUARTERS

Question. Between 1980 and 1983 the cost to operate and maintain general and flag officer housing increased by 50 percent. As a result of considerable effort last year the costs to operate and maintain these units are now being reported accurately; however, the amounts spent continue to rise. Mr. Stone, in 1983, $13.2 million was spent on these units. Can you tell us how much was spent in 1984 and 1985?

Answer. The Military Departments spent $12,753.1 million and $12,133.2 million to operate and maintain general and flag officer housing in fiscal years 1984 and 1985, respectively. These amounts reflects a decrease from the $13.2 million spent on these units in FY 1983 of 3.8 percent in FY 1984 and 8.3 percent in FY 1985. A breakout by Service follows:

Fiscal year and Service	*Total cost [in thousands]*
1984:	
Army	$6,176.6
Navy	2,845.6
Marine Corps	421.4
Air Force	3,309.2
1985:	
Army	5,565.0
Navy	2,191.6
Marine Corps	534.2
Air Force	3,842.5

JAMESTOWN EXPOSITION HOUSING

Question. In fiscal year 1987 the Navy will spend an average of $33,000 per unit to operate and maintain 14 admirals quarters at Norfolk, Virginia known as the Jamestown Exposition. Last year the Committee directed that no further major expenditures be undertaken of this housing until an in depth study was done. That study, not surprisingly, concludes that it would be wiser to retain and occupy the existing quarters despite the costs. Admiral Jones, the study shows that in eleven of twenty structures evaluated, it would be cheaper to replace them rather than continue to occupy them. Why has the Navy chosen to recommend retention of all these units?

Answer. The Jamestown economic analysis was based on information contained in a 1977 study which had been updated in 1984. Due to time constraints, no recent field inspections nor metering of utilities was conducted which would have resulted in more precise estimates of future funding needs. The cost estimates are considered high but believed to be accurate within a range of twenty percent. The analysis did not consider the fact that the majority of these structures are listed on the National Register of Historic Places and Navy is required to preserve them and maximize their use. The additional costs to preserve these structures, if they were vacated and new flag quarters were constructed at another site, would shift the economic analysis in favor of retaining at of the Jamestown houses for use as flag quarters. These structures were extremely well built and will last for many years if properly maintained. The requirement for flag quarters in Norfolk, including the special command positions of Commander in Chief U.S. Atlantic, and Commander in Chief U.S. Atlantic Fleet, must be satisfied with appropriate housing facilities. Based on the foregoing, retention of the Jamestown structures for use as flag quarters is the sensible thing to do.

Question. A simple analysis of this situation is that if it costs over $30,000 per year to operate and maintain these units, the cost of a new replacement could be amortized in five to ten years at the most. Explain why your study shows a different conclusion.

Answer. The study is an economic analysis based on life cycle costs over a thirty year period. Costs must be expressed in discounted dollars and must include all known requirements such as demolition of existing structures routine maintenance and utility costs, and costs for change of occupancy, cyclical repairs and replacement of equipment. The thirty year time period is appropriate for cost comparison purposes. The simple analysis of amortizing the annual operations and maintenance costs at $30,000 over a period less than 30 years ignores these cost considerations and is therefore inconsistent with the life cycle methodology.

Question. Why was it assumed that new construction funds could not be available until 1989?

Answer. The FY 1987 budget had already been submitted to Congress as the study was concluding. Internal DoD planning procedures which lead to formulation of the FY 88 program are already underway. Accordingly, there is not sufficient time to allow proper planning of replacement units prior to submission of the FY 1988 budget. FY 1989 is the first year in which new construction could reasonably be programmed.

Question. Why was a 20% differential in accuracy of cost projections used in this analysis? Is a 20% degree of accuracy an acceptable margin of error in Navy cost estimating?

Answer. A 20% range of accuracy was selected based on the considerable uncertainty in predicting level and frequency of operation, maintenance and repair costs over a thirty year period. For example, in reviewing final plans for a specific repair project to correct a known deficiency, we would assume an accuracy within 5%. But that same degree of accuracy would not be possible if that project were to be undertaken 20 or 30 years later. In other words, the longer period over which we attempt to predict future costs, the lower will be the accuracy of the estimates.

We know that roofs, structural members, electrical and plumbing systems will require major repairs within a 30 year period. But we cannot be certain as to which years and to what level those repairs will be required. For this reason, 20 percent appears to be a reasonable degree of accuracy upon which to base economic decisions.

Question. This study indicates that the information used for these projections is not based on current field inspections due to time constraints, and are therefor subject to variations greater than normal. How can the Navy recommend retention of these houses based on cost estimates that are incomplete and as much as 20% in error?

Answer. Considerable information is available from maintenance histories of the structures, as well as previous studies of the Jamestown units. The current study was based on data collected in prior years and updated with subsequent work actually done to the quarters, but did not include new field inspections. The estimates are not considered to be incomplete, but are considered preliminary in the context of a 30 year forecast. The estimates reflect a 20% range of accuracy of total cost estimates projected over 30 years.

Question. Specifically to what time constraints do you refer? The Committee's directive occurred in late October and no deadline was specified.

Answer. Flag quarters budgets for FY 86 were submitted to and approved by the Committees prior to the start of the fiscal year. The Committee then directed that FY 86 maintenance be limited to $15,000 annually until the study was completed. It was imperative to finish the study quickly to assure that proper maintenance and repair to the structures would continue uninterrupted.

Question. How much did the Navy spend on this study?

Answer. The study, which was contracted, cost $44,731.

Question. The law regarding historic preservation does not require that these buildings be kept. It requires that they be preserved and used to the maximum extent feasible, once a decision has been made on whether to keep them. Do you agree with this assessment?

Answer. We agree that the Navy is not required to retain the Jamestown structures. However, Section 110 of the National Historic Preservation Act requires all federal agencies to assume responsibility for the preservation of historic buildings they own or control. Agencies are required to use, to the maximum extent feasible, historic properties available to the agency. Once a decision has been made to retain the structures, which is applicable to Jamestown, the law does require that the historic significance of the structures be preserved. Within reason, therefore, economic considerations are not the only basis for determining retention or demolition of the structures. We believe that the Jamestown study indicates that the economics of retaining all of the quarters is reasonable, and that it is feasible to preserve and use them for family housing.

MANUFACTURED HOUSING OVERSEAS

Question. The Air Force has put all new housing construction in the United Kingdom on hold because of the high cost of implementing the U.S. manufactured housing requirements. The British contracting agency and various local governments have put additional requirements on the construction of these houses, which have driven up costs by 25%. This in conjunction with currency losses has brought new construction to a halt. What does the Air Force plan to do about the situation at Upper Heyford, Bentwaters and Greenham Common, where approved projects are being held up?

Answer. The Upper Heyford project is in final negotiations and design review. The award is expected by the end of April. Bentwaters and Greenham Common projects are in procurement and award is expected later this year.

Question. The Army was required to ask for an additional $600,000 for its major 153 unit housing project in Germany, due to resiting requested by the Germans. The request was deferred and the Army was to seek German funding. What is the status of this situation?

Answer. In coordination with Headquarters, United States Army, Europe, the Army is pursuing the issue of having the German Government pay for the site changes. Preliminary indications are that German officials at the local, state and federal level are not receptive to funding these site changes because they are within the site boundaries, and therefore, the responsibility of the builder. Final determination is expected shortly.

Question. How does the Air Force plan to meet it housing requirements in the Netherlands at the new GLCM base?

Answer. The Air Force will request authorization and appropriation for 40 units in FY 88 and 340 units in FY 89 at Woensdrecht AB, Netherlands.

Question. The Air Force agreed to a 50–50 split between leased and U.S. built with the Belgians on the housing for the new GLCM base. On what basis was this agreement made and what will be done about additional requirements?

Answer. The Assistant Secretary of Defense and the Belgian Minister of National Defense agreed that the first 200 units of military family housing will be constructed using U.S. manufactured materials and the next 200 units using Belgian materials. An additional 250 units will be built by the Belgians on a build-to-lease basis.

Question. Does the Department support the current law regarding U.S. manufactured housing overseas?

Answer. Yes. The overseas houising deficit accounts for half of our total deficit. Prior to enacting the current law, it was difficult to get approval for MILCON housing projects overseas as the expenditures contributed to the trade imbalance. The current approach provides better prospects for authorization of overseas housing projects and early indications are that the housing product will satisfy our families' requirements. The most significant hurdle to this program has been securing host nation acceptance.

Question. Has the Icelandic government agreed to the use of U.S. manufactured houses in relation to the Navy's request for fiscal year 1987?

Answer. Yes. The Government of Iceland has accepted the U.S. manufactured concrete pre-cast system approach. Project currently under design for 250 units.

CAMP DARBY MANUFACTURED HOUSING

Question. On June 28, 1985 a contract was awarded in the amount of $5.8 million for construction of 100 units of U.S. factory built housing at Camp Darby, Italy. As of December 1985, 6 months later, the Italian Minister of Defense has withheld final approval of this project. Can you explain why this project was delayed by the Italian government and what is the current status of the contract award.

Answer. The Italian government found two major items objectionable and required they be changed before final approval was granted. Changes required were to raise the height of ceilings to 9½ feet to comply with local codes and to change the exterior architectural treatment of the buldings to more closely match local construction. These changes were agreed to, the Italian government has approved revised designs and the contractor has made final drawings submittal. These changes may require additional expenditures beyond the appropriated amount.

However, concurrently in July 1985 the Italian parliament passed a law on the protection of the environment and heritage. Camp Darby lies within a nature preserve and because construction of this project has not started, local groups opposed its construction based on the newly passed law (previous law had exempted military projects, but new law does not). Since the law was new, no implementing regulations had been written and considerable confusion existed within the Italian government regarding how to proceed. The Ministry of Defense sent a letter to the Ministry of Environment and Heritage asking for comments. By law the ministry has sixty days to respond. An answer is expected by the end of April 1986.

The U.S. Office of Defense Cooperation, Rome, has informed the US Army, Europe, that the Ministry of Defense expects favorable response from the Ministry of Environment and Heritage. If this is received, construction could start in May 1986.

This issue is politically sensitive within the Italian government and there are no guarantees that further obstacles will not appear.

FOREIGN CURRENCY

Question. What sort of problems are recent losses in foreign currency values against the dollar causing on the execution of repair and improvement projects and lease payments overseas?

Answer. A majority of the Department of the Army fiscal year 1985 maintenance and repair and improvements projects were awarded with funds obligated before the significant decline of the dollar began. As a result, these projects will be underfinanced in fiscal year 1986 as the dollar drops in value and actual payments for work performed are made. Thus far, previous payments made with higher exchange rates have helped offset losses of fiscal year 1985 maintenance and repair and improvements projects. Some fiscal year 1986 Army projects have been deferred to provide foreign currency funding for the higher priority projects.

The reduction in foreign exchange rates increases the cost of recurring operations, maintenance and leasing (cost of ownership) by approximately $80,000,000 at 2.46 DM/$ in fiscal year 1986. It also increases the reported dollar value of the Army's deferred maintenance and repair by approximately $30,000,000.

In fiscal year 1985 Army leases were largely expended before the dollar's decline. In fiscal year 1986 lease negotiations are proceeding with the understanding that some leases may have to be deferred until fiscal year 1987.

Based on estimates of 180 yen: $1.00, the Department of the Navy's projected losses in Japan for all Family Housing, Navy operation and maintenance accounts are as follows:

Fiscal year:	*In dollars*
1983	200,000
1984	200,000
1985	3,800,000
1986	5,000,000

As the value of the dollar is starting to decrease in Europe, the Navy expects losses in that geographic area in fiscal year 1986 where our primary exposure to foreign currency is through our leasing program. Should this devaluation trend continue, repair projects will be deferred to accommodate our leasing contractual obligations.

The loss of value of the dollar has had a dramatic effect on the Air Force program of maintenance, repair and improvement projects. The foreign currency losses and Gramm-Rudman reductions for fiscal year 1986 have forced the Air Force below its "must pay" level in day-to-day activities. In an effort to cover these "must pay" costs, required maintenance and repair by contract projects have been deferred. The funds planned for these projects have been reprogrammed into operations, utilities and leasing. Some "must pay" items still are not covered and a reprogramming request is being processed seeking authority from Congress to cover the requirements from other funds.

Question. The Department has asked for authority to create a foreign currency fluctuation account but has requested no funds for it. How would such an account help the current situation without funds to pay for currency losses?

Answer. The establishment of a foreign currency fluctuation account (FCFA) will help by providing a mechanism for accumulating and transferring any further currency gains, lapsed funds, or savings, to provide some security against currency losses. However, without capitalization in Fiscal Year 1987, the FCFA will not relieve the current situation. Until such time as funds have accumulated in the account, the only significant source of funds to pay for expected currency losses will come from current bid savings, if any, and from program reductions.

FAMILY HOUSING SURVEY

Question. Explain the status of the changed family housing survey procedures and how the calculation of available rental housing has changed.

Answer. Procedures to test the new survey process are in the final stages of development. The new housing requirements survey procedures will be tested at a number of locations chosen by the Services. The new procedures use information available in the Housing Office from housing applications, and several existing reports dealing with inventory, assignment, and housing referral. The requirements survey will help Installation Commanders make sure that resources are used to assure that all of our people are provided with excellent places to live.

A new method of calculating available rental housing has been developed as part of the revised survey process. The revised method applies the ratio of suitably housed military families to the number of community rental assets available. Installations Commanders will rely on actual experience rather than the current method of using the ratio of military population to civilian population to determine the military share of vacant community assets.

ECONOMIC ANALYSIS—GAO REPORT

Question. DOD seems to prefer leasing over construction in both its domestic and foreign leasing programs. However, many long-term leases are more expensive than purchasing because the lessor must charge to make a profit. In the three studies reviewed, GAO found 9 problems occurring 16 times, and all but one of the 16 occurrences caused leasing to be more attractive than was warranted. What makes long-term leasing less expensive for the U.S. government when long-term leasing is more expensive for the private sector as a rule?

Answer. The Department of Defense feels that a balanced program between construction, leasing and private economy housing is the proper method to provide for our family housing requirements. Leasing may be less expensive or more expensive than the other methods depending on the economics of the particular situation.

Question. Don't you think that any special circumstances present that cause build to lease to be less expensive than military construction should be explained in the economic analysis so that the validity of the analysis can be assessed by the reader?

Answer. Yes, if known to the government. Some special circumstances affecting the bids are known only to the bidder.

Question. Explain the fact that in 15 of 16 problem occurrences GAO found in the three reviewed analyses, each had the effect of making lease appear to be more attractive than was warranted?

Answer. This occurred because the analyses used a different discount rate than the one that the GAO advocates.

Question. Do you know of any institutional reasons or motivations that would cause so many of the problem occurrences to cause leasing to seem more attractive than warranted?

Answer. No. There is no known bias toward leasing.

Question. GAO found the OSD used an inappropriate interest rate when discounting. In particular the economic analysis of foreign housing discounted with a real interest rate of 10 percent when real interest rates were approximately 5 percent. In addition, the September 1984 guidance from OSD to the military services requires that a 10 percent real rate be used for discounting in addition to discounting with a 10 percent nominal interest rate. None of these methods used by DOD uses the market rate of interest charged the U.S. government except if they coincide by chance. What interest rate does DOD think should be used for discounting? Has DOD taken any steps to insure that market interest rates will be used in discounting?

Answer. Currently a 10 percent rate is being used. When OMB issues a revised Circular A-104 the designated discount rate of the revised circular will be used. It is understood that the new rate will be based on market interest rates.

Question. Has OMB drafted a revision to A-104 that requires that the market rate of interest charged the Treasury be used for discounting?

Answer. Yes. This is expected to be issued in the near future.

Question. Has OMB been telling DoD for a year now to use market rates of interest for discounting in the economic analysis of domestic long-term housing leases (section 801) and long-term housing guarantees (section 802)?

Answer. Yes, they have been doing that for domestic leasing.

Question. Does Treasury and OMB require DoD to discount with the market rate of interest charged the U.S. Government when DoD performs economic analyses of the leasing on naval ships and aircraft?

Answer. Yes, they have been doing that.

Question. In light of the above, don't you think OMB will grant you a waiver? Why haven't you yet requested a waiver from OMB Circular A-104?

Answer. A revised Circular A-104 is expected out before a waiver could be processed. DoD Instructions will incorporate revisions from the revised circular.

Questions. Don't you think it's more important for DoD to discount using the correct interest rate than for other agencies to adopt the correct discounting procedures?

Answer. DoD will incorporate the new OMB procedures as soon as the revised Circular A-104 is issued.

Question. In the three studies it reviewed, GAO found foreign exchange and inflation expectations far different from those widely accepted by professional economic forecasters. GAO concluded that the September 1984 OSD guidance on the economic analysis of foreign housing would not have improved the exchange and inflation expectations used in these studies had it been in effect when these studies were performed. GAO therefore concluded that this OSD guidance will not remedy this problem in the future. We are all aware how difficult it is even for professional forecasters to formulate long-term inflation expectations. How does DoD formulate exchange and inflation expectations?

Answer. While it may be possible to forecast changes in exchange rates in the short term, we know of no reliable forecast of exchange rates over the length of time involved in long term leases of overseas housing. Since there is no basis for concluding that exchange rates ten or twenty years hence will be either more or less favorable than they are now, DoD uses the current exchange rate throughout the analysis. This rate is then tested in the sensitivity analysis to determine at what point the change in the exchange rate will alter the results of the analysis. Similar procedures apply to inflation rates.

Question. In order to obtain forecasts of inflation of U.S. goods why doesn't DoD simply average the inflation forecasts of the major professional forecasters?

Answer. The inflation forecasts of the major private economic forecasting firms are generated by large-scale econometric models that simulate the operation of the U.S. economy. Mechanically taking an average of several such forecasts—one of which may be predicting a recession while another, based on different underlying assumptions, is predicting growth—is not likely to produce a meaningful result. OMB presumably considers the predictions of the major private forecasters, as well as their underlying assumptions, in arriving at its own assessment of future inflation.

Question. Has DoD ever tested its inflation forecast accuracy relative to the major forecasters? If so, where is the documentation? What were the results? If not, why have you persisted in making your own forecasts?

Answer. DoD does not "persist in making our own forecasts" of inflation. DoD, as an executive agency, uses the official administration inflation forecasts supplied by the Office of Management and Budget as part of the Administration's budgetary "economic assumptions." DoD has not formally tested OMB's inflation forecasts against those of private economic forecasters.

Question. Wouldn't it be cheaper for the U.S. Government if you simply averaged those of the major forecasters rather than attempt to make your own?

Answer. OMB is responsible for producing the Administration's inflation forecasts. DoD is required to use the forecast.

Question. What rationale lies behind the September 1984 OSD guidance on the economic analysis of foreign housing which requires that the exchange rate be assumed constant over the 25-year period of analysis?

Answer. As we know of no source of reliable forecasts of exchange rates over the length of time involved in long-term leases, it is considered to be more accurate to consider a stable exchange rate and then test exchange rate changes in the sensitivity analysis.

Question. Isn't the exchange rate assumption required by OSD unlikely to occur over a 25-year period of time when the U.S. inflation rate (in dollars) is far different than that of the host country (in host country currency)?

Answer. It is anticipated that over a 25-year period the exchange rate will fluctuate above and below an arbitrary level. By assuming a constant exchange rate, and then determining at which point beyond that rate the analysis conclusions are changed, allows the analyst to make a determination as to the validity of the analysis using the constant rate.

Question. Economic analyses are very sensitive to the assumption made. In order for the reader to be able to assess the reliability of the economic analysis it is necessary that the assumptions be varied to include a range of other reasonable values. GAO found that all three analyses reviewed conducted very limited sensitivity tests. GAO believes that the September 1984 OSD guidance would have lessened but not eliminated this problem in the three analyses had it been in effect when the three analyses were performed. How does DoD plan to improve the sensitivity tests in future economic analyses of foreign housing?

Answer. By expansion of guidance to the analysts on such items as the ranges to be tested in the sensitivity analysis, variations in residual values and the variation of rents.

Question. Since the September 1984 OSD guidance does not tell the analyst to explicitly vary the discount rate and length of the period of analysis how is DoD going to insure that these are varied?

Answer. Primarily by excursions in the sensitivity analysis.

Question. Since September 1984 OSD guidance only requires the analyst to find the point at which the assumption changes the result, it leaves the determination of what constitutes a reasonable range of values to the decision makers. Why was the analyst not told to vary the assumptions over a broad, though reasonable range? Is the reader/decision maker better able to determine this range than the analysts? Why?

Answer. Once the point at which the result of the analysis is changed is determined, the probility of that point being reached can be assumed. It is already assumed that assumptions will vary, but the critical point is the one that changes the analysis results. Decision makers who will approve the analysis and the resulting project will make their determinations based on their consideration of the probability of actual conditions approaching the identified point at which the variable changes the analysis results.

FORT JACKSON, SOUTH CAROLINA

Question. Last year authorization for a special housing project was provided for Fort Jackson, South Carolina. Explain this project and give us its status today.

Answer. Section 840 of the Military Construction Authorization Act for Fiscal Year 1986 allows the sale of approximately 300 acres of land and the construction of up to 400 family housing units at Ft. Jackson, SC. A family housing requirements survey and a market analysis to determine the number of units required are being finalized. A Real Estate Planning Report on the land being excessed is also being prepared. A final report on the actions being taken will be submitted to the Congress prior to entering into any sale or agreement for the provision of additional housing.

HISTORIC QUARTERS

Question. Update the Committee on your overall plan regarding historic quarters.

Answer. The Army plan is a comprehensive study on each of its 20,001 historic units (located at 33 different installations) to be completed by December 1986. An architectural and engineering firm (A/E), Mariani and Associates, Washington D.C., is studying 31 installations and MMM Design Group is studying Forts Myer and McNair. The A/E's have already visited 13 installations and are in the process of writing up the installation reports. Prior to final publication, all installation reports are reviewed by:

The National Park Service
The Advisory Council on Historic Preservation
State Historic Preservation Offices
The Department of the Army (Headquarters, Major Commands and applicable installations)

The study identifies work required to assure the quarters comply with developed standards for livability and historic features. The work identified is prioritized based on a condition assessment of each major building component. Cost estimates for repairs, improvements and long-term maintenance are prepared for both the historically significant and non-significant building components. These recommendations are based on a 25-year life cycle cost analysis. By establishing a uniform standard to compare the quarters, concerns for appropriate maintenance of historic features can be adequately resolved.

A report will be prepared for each installation with an overall consolidated report, summarizing the study's funding and recomendations. These reports will be available for review by the Congressional committees and will be used to support decisions on future funding requirements.

ABERDEEN PROVING GROUND, MARYLAND

Question. The Congress has provided numerous new units of housing in this area in the past five years. Why are these new units required? Is there no private sector development in the area?

Answer. This 140-unit project is the first phase of a two phase program needed in the Edgewood Area, approximately 15 miles from Aberdeen Proving Ground, to replace 276 off-post government controlled substandard Wherry units. There is some private sector development; however, it is not sufficient to meet the total need of the Edgewood Area of Aberdeen Proving Ground.

KWAJALEIN MISSILE RANGE

Question. Explain the policy of providing housing for civilian personnel at this location.

Answer. Housing is provided to civilian personnel as a part of the contract between the Army and the contractors at Kwajelein. When the contract was negotiated, the inclusion of housing for contractors was made part of the agreement and has been in effect for over 20 years. This type agreement is only done in locations such as Kwajalein, where there is no alternative housing available.

Question. Is there any charge to individuals or contractors for the government's providing housing? If not, why not?

Answer. There is no charge for the housing provided because it is included as a part of the contract package. A charge for housing would result in a proportionate increase in contract costs.

Question. Supply for the record a more detailed estimate showing actual costs of the manufactured/factory built units themselves, and the shipping costs using separate cost factors for each element. (Reference the costing method used on housing projects in Alaska).

Answer. A detailed cost estimate showing per square foot cost for the manufactured/factory built units, including shipping, is shown below:

	Cost of unit at factory	Shipping cost	Cost of erection	Support cost	Subtotal
Dollar/NSF	$41	19	41	16	117

Note that the erection cost includes mobilization and life support of construction personnel and is subject to area cost factor adjustment of 2.10. This equates to $19.50 per net square foot for foundations, erection and completion of electrical/mechanical systems, and including heating ventilation and air conditionings in the United States, and is considered reasonable.

FORT ORD, CALIFORNIA

Question. Explain why there is a deficit of officer housing in the Fort Ord area requiring construction of 85 units.

Answer. There is a current shortage of 111 adequate housing units and a projected shortage of 272 units for officer personnel. This shortage is caused by the low vacancy rate in the area as well as high cost for those few units that are available. The shortage is for our junior officers (grades 01–03). The proposed 85-unit project will provide additional housing needed in this extremely tight housing market.

FORT WAINWRIGHT, ALASKA

Question. Several housing projects in Alaska have recently been put under contract at $140,000 to $150,000 per unit. Justify the $220,000 per unit estimate.

Answer. The cost estimate of $220,000 per unit for the Fort Wainwright project is based on an average net square footage of 1,462 per unit, multiplied by a cost of $48 per net square foot and a project factor of 2.04. Supporting costs were added for subtotal of $197,00 (rounded). A 5% contingency and 5.5% supervision and overhead brings the total request to $220,000 per unit (rounded).

The project factor of 2.04 is the result of multiplying the area cost factor (2.13) times the project size factor (1.00), and the unit size factor (.96) (i.e., 2.13×1.00×.96=2.04).

In addition, this project is sited in an undeveloped area which requires all utility systems be extended to and throughout the area. The utilities are to be in utilidors which are an expensive item, but necessary in the arctic climate.

NEW HOUSING—GERMANY

Question. Has the Army secured all necessary approvals from German federal and local officials for sites for all of the requested Fiscal Year 1987 projects. If not, provide specific explanations.

Answer. None of the projects in Germany in the Fiscal Year 1987 Program have any known objections at this time.

However, the approvals received at this early stage by the Ministry of Construction only provide the confirmation that no fundamental objections were raised to the projects from the point of view of the public interest. The Army can never be certain that all approvals are obtained until the appropriate German agencies have reviewed the final designs. Under the Turnkey procedure, last minute objections may become known, even after construction contract award.

Question. Does the Army plan to contract for all the units in Fiscal Year 1987 in Germany in one contract? If not, why not?

Answer. The Army procurement plan is to package Vilseck, Herzo Base, Wildflecken, and Darmstadt in one solicitation document for bidding purposes. These are all the projects where the German government has provided approval to use direct procedures. However, more than one contract could be awarded because this will be dependent upon the bids received and the location of each site.

Crailsheim Erlangen and Schweinfurt are indirect projects, being managed by separate German Bauamter. These projects are also not within the same German state. Therefore, each of these three projects will be advertised and awarded separately.

LIVORNO, ITALY—HOUSING

Question. Does the Army have agreement from the Italian government on the use of U.S. manufactured/factory built housing at this location?

Answer. The Army does not have authority to use U.S. manufactured/factory built housing at this location. This project will be deferred to the Fiscal Year 1988 program.

IMPROVEMENTS—ECIP

Question. Explain why appropriations are not necessary for the Army's ECIP family housing.

Answer. Energy Conservation Investment Program (ECIP) funding has been set aside within the improvements account in prior fiscal years. ECIP projects are constantly reviewed and evaluated, as the design progresses, to ensure the investment will realize the anticipated payback. Some prior year projects have not been judged to be sound investments in the final analysis and have been cancelled. This has resulted in an unobligated balance of ECIP funds that may be applied to other projects upon receipt of authorization.

WALTER REED MEDICAL CENTER—WASHINGTON, DC

Question. Explain how the $99,000 requested for this one unit will reduce O&M cost and demonstrate by how much.

Answer. Quarters 1, built in 1910, is a three-story brick building Replacement of the existing steam heating system and window air conditioners with a central heating and cooling system, closing off the third floor and repairing/replacing the windows, will reduce the annual utility costs by approximately $2,300 per year. Anticipated reductions in the annual routine maintenance costs are $2,000 per year. If repairs are not made, the unit will not be usable and additional BAQ/VHA costs of $11,040 per year will be incurred.

ATTIC CONVERSION—GERMANY

Question. Justify the $45,000 per unit cost of attic conversions in Germany in light of last year's request of $33,000 per unit for the same work.

Answer. The request of $33,507 per unit in Fiscal Year 1986 was budgeted at DM 2.99=$1.00. The Fiscal Year 1987 rate is DM 2.46=$1.00. The corresponding cost, due to currency rate alone, is $40,725 per unit. The additional $4,275 per unit reflects the final design estimate including inflation, a fire sprinkler system and reinforcement of flooring as required.

Question. Describe the temporary structures which will be made permanent by this conversion.

Answer. The units to be upgraded are described as "temporary" due to the assignment policy for families living in them and do not reflect the permanence of the structure. The temporary units were formerly maids rooms modified to accommodate families on a temporary basis while awaiting assignments of permanent quarters.

MAINZ—GOQ

Question. Explain the statement that if the $69,000 requested to expand this general's house is not provided "a senior leader of the Army will . . . reside in quarters that do not provide adequate space for effective performance of his duties."

Answer. Notwithstanding the emotion presented in the project justification, many of the official entertainment responsibilities of our installation commanders take place in the family quarters. The requirement to provide this function has been recognized in the United States Code which allows a 10 percent increase in the authorized net area of installation commander's quarters. In the case of the project at Mainz, the existing net area is 1,625 square feet, which is well below the maximum authorized net area of 2,310 square feet for General Officers who are installation (community) commanders.

An assessment of the requirements, in relation to functional arrangement within the unit at Mainz, was made. A 475 square foot addition to the dining and living areas will satisfy the entertainment responsibilities that the community commander now has. Without this addition the hosting of official functions cannot be adequately performed within the unit.

Question. What "duties" are performed at home?

Answer. The word duties is a poor choice of words. The installation commander's quarters are used for receptions and formal dinners for local dignitaries and other official visitors. Some functions do take place in officers' clubs, however most small functions are better accommodated in the quarters.

CURRENCY ADJUSTMENTS

Question. Explain the basis and rates used in calculating the added funds for foreign currency losses in the operations and maintenance accounts.

Answer. The foreign currency with the greatest rate of conversion for the family housing budget is the Deutsche mark (DM). This Fiscal Year 1986 budget was formulated at 2.99 DM to $1.00, while the estimated executive rate is 2.45 DM to $1.00. The United States Army, Europe (USAREUR) portion of the Fiscal Year 1986 estimated execution was increased by 53 pfennigs per $1.00 to compensate for buying power losses. The Fiscal Year 1987 budget estimates was initially formulated at 3.22 DM to $1.00 and adjusted to the DoD approved rate of 2.46 DM to $1.00, which is a 76 pfennig adjustment per $1.00. For example, the foreign currency revaluation for the USAREUR maintenance account is figured below:

Fiscal year 1986:

USAREUR portion of maintenance account = $196,260,000.

Currency loss = .53 pfennigs/$1.00 at 2.46 DM.

$196.3 × .53 pfennigs—2.46 DM = $42.3 Million increased program required.

Fiscal year 1987:

USAREUR portion of maintenance account = $215,500,000.

Currency loss = .76 pfennigs/$1.00 at 2.46 DM.

$215.5 × .76 pfennigs—2.46 DM = $66.6 million increased program required.

FURNISHINGS

Question. Justify the $20 million increase requested for initial issue adjustments.

Answer. This increase is necessary because the Fiscal Year 1986 Initial Issue request was denied. After the Fiscal Year 1984 family housing furniture procurement, a projected deficit of $124 million for Europe remains. The deficit buy out program, previously provided to the Chairman of the House Appropriations Committee and Chairman of the Senate Appropriations Committee in February and April 1984, is linked to the Army's plan to eliminate Europe's family housing deficit by the end of Fiscal Year 1990. Deficit reduction requires minimum funding of $20 million annually to accomplish this buy out schedule.

GOQ QUESTIONS

Question. Explain why $20,000 is necessary for new furnishings at the Fort Huachuca, Arizona GOQ.

Answer. This set of quarters was designated as a command position quarters by the Under Secretary of the Army in October 1985. The furnishings required are commensurate with the requirements for official entertaining. The estimated funding is based on purchasing furniture for the dining room ($12,200—double pedestal banquet table with 14 chairs, server, buffet and breakfront), replacement of carpeting ($5,000—approximately 250 square yards at $20 per yard) and replacement of drapes with linings ($2,000—approximately 167 linear yards at $12 per yard).

Question. Justify the high costs for repair of interior walls in a number of units at Fort Leavenworth, Kansas of up to $16,000 per unit.

Answer. The ceiling and wall repairs are required because the existing plaster is disintegrating. The walls have been in place for over 80 years without any major plaster repairs, other than patching. The plaster repairs were delayed until the extent of electrical rewiring was determined and could be combined with the repair of plaster. The quarters have ceiling heights greater than 8 feet and the work includes major repairs to the interior wood trim. Various alternatives were considered; however, the most logical choice is removal of the plaster walls and installation of new wall boards. The work is required to assure that the quarters can provide acceptable living conditions and is not solely due to the unit's classification as an historical structure.

Question. Explain the problem in contracting for the repairs at 4 quarters at Fort Myer, which were delayed due to design and contracting problems.

Answer. Final design was delayed in an effort to develop the most appropriate method to prevent the water from entering the basements. Previous designs/proposals were insufficient to assure the problem would be adequately resolved. Numerous approaches were analyzed to divert the ground water from inside the unit in an effort to reduce costs. However, the most effective method determined was to correct the exterior foundation drainage and incorporate the downspouts from the roof into the system. This provides a clear contract package with assurance that the problem would be corrected.

Question. Explain why the U.S. is responsible for all maintenance costs on rented units in Belgium.

Answer. According to Belgian law, the leasor provides for structural maintenance and repair including maintenance to the utility systems. The leasee (US Government) is responsible for minor maintenance and repairs to include day-to-day routine maintenance, snow and ice removal, grounds maintenance, cyclical repainting and restorations of damage for fair wear and tear.

Question. Explain the pro-rated management costs in GOQ in Belgium.

Answer. The management cost is approximately $260 per unit. It is pro-rated between units based on using one percent of operations and maintenance costs, less the rent and applied to all leased quarters, including GOQ's.

Question. Who manages these units, what are the costs and what do we get for it?

Answer. The U.S. Government (ARMY—NATO/SHAPE SUPPORT GROUP) manages these units and the costs are reflected as management costs. For the GOQ's submitted, the management costs average $260 per unit. These costs are for assigning and outprocessing occupants of quarters, maintenance of records to assure that funds are properly programed/controlled and that required funding is properly identified. These costs assure that the requirements of the lease are complied with and occupant complaints are resolved. These costs are the normal costs associated with operating government leased units.

Question. Explain why almost every unit reported in Belgium requires $7,000 to $10,000 for interior painting.

Answer. The painting is done on a 3-year plus cycle and these identified units meet this prescribed requirement. Because a majority of the units have high ceilings, with large entertainment areas, there is a considerable amount of surface to paint, resulting in higher than normal costs.

Question. Explain the $30,000 and $23,000 requests for bathrooms at the Darmstadt GOQ.

Answer. The projects consist of replacement of all sanitary sewage lines, hot and cold water piping, plumbing fixtures (lavatories, bathtubs, toilets), ceramic tile on walls and quarry tile on floors. Quarters 4469 consists of two full baths and Quarters 4468 includes 2½ baths. These quarters were constructed in 1954 and no major work has previously been accomplished in these units. The bathrooms are deteriorated and replacement of all components is required.

FY 1987 802 PROJECTS

Question. Why does the Army not plan to pursue additional Section 802 projects in fiscal year 1987?

Answer. The Army's Section 802 program is without a "track record," with financing, quality of units being constructed and possible managerial difficulties uncertain. Therefore, the Army is proceeding cautiously, only executing the program approved by Congress until results of current projects are completed and analyzed. However, the Army requested additional Section 801 projects since its "sister" initiative, overseas build-to-lease program, continues to provide affordable, adequate family housing assets.

HOMEOWNERS ASSISTANCE PROGRAM

Question. Justify the $6,000,000 requested by explaining the increase in activity in the program and current downturn in interest rates.

Answer. In January 1983 the Department of the Air Force announced replacement of a B-52 wing at Dyess AFB, Abilene, Texas with a B-1B wing. This action was implemented in June of 1985 and 275 applications were received for assistance under the Homeowners Assistance Program (HAP). The impact on the real estate market as a result of these homes coming on an already depressed market resulted in a further decline in market value. Also, the 774th TAS (C-130's) is programmed for deactivation in the fall of 1986. This will result in a further decline of 565 manpower authorizations with an additional 200 homes expected to be added to the depressed real estate market.

A real estate market survey in the Abilene area made in February of 1986 showed a steady decline in sales of homes listed on the real estate market from 72 percent in 1980 to 17 percent in 1985. Recent lowering of interest rates is not anticipated to favorably affect the real estate market in the near future. The economy in Abilene is dependent primarily on oil and farming, which are presently depressed, as well as Dyess AFB. The recent realignments at the base, with consequent loss of personnel, are also having a substantial impact on an already depressed economy. Recovery of the housing market is dependent primarily on recovery of the petroleum industry. That industry is not expected to recover until oil climbs to the $25.00 a barrel range.

Due to the depressed real estate market in Abilene and because of the recent mandated change in the benefit formula for HAP, the majority of cases will involve Government purchase of the homes as opposed to private sales. There is sufficient funding to sustain the program in Fiscal Year 1986, but if we are to proceed with the program in Fiscal year 1987 as advantageously to the Government as possible, we will need a $6,000,000 appropriation.

That $6,000,000 appropriation is based on:

	Units	Dollars in thousands
Payments to homeowners	27	$150
Mortgages assumed	35	2,000
Acquisition of real property	41	2,300
Operating costs		1,550
Total		$6,000

Question. Specifically, at what locations are we buying homes? Provide a detailed accounting of the financial status of this program.

Answer. All homes being acquired under the program are in the Abilene, Texas area.

A detailed accounting of the financial status of the program is as follows:

	Dollars in thousands
Balance at beginning of fiscal year 1986	$4,473
Principal (on assumption)	−1,042
Investments*	−1,404
Expenses**	−1,900
Revenue from sale of homes	+100
Projected balance at end of fiscal year 1986	227

*Investments are equity payments and liquidations.

**Expenses are FHA costs (interest, maintenance, taxes, sales and administrative expenses), Corps of Engineers real estate appraisal costs, and costs to homeowners for private sales and foreclosures.

Question. Provide for the record the breakdown of the project factors for each new construction project showing area cost factor, project size factor and unit size factor.

Answer. A breakdown of the project factor for each construction project in the Fiscal Year 1987 request is listed below:

PROJECT FACTORS

Installation and	area cost factor ×	project size ×	unit size =	project factor
Aberdeen Proving Ground, Maryland	.94 ×	1.00 ×	.98 =	.92
Fort Drum, New York	1.18 ×	.95 ×	1.00 =	1.12
Kwajalein, Marshall Islands	2.17 ×	1.00 ×	.97 =	2.10
Fort Ord, California	1.24 ×	.98 ×	1.00 =	1.22
Fort Polk, Louisiana	.94 ×	.95 ×	1.00 =	.89
Seneca Army Depot, New York	1.15 ×	1.05 ×	.98 =	1.18
Fort Wainwright, Alaska	2.13 ×	1.00 ×	.96 =	2.04
Crailsheim, Germany	1.17 ×	1.05 ×	.97 =	1.20
Darmstadt, Germany	1.17 ×	1.05 ×	1.00 =	1.23
Erlangen, Germany	1.17 ×	1.00 ×	1.00 =	1.17
Herzo Base, Germany	1.17 ×	1.05 ×	.99 =	1.22
Mainz, Germany	1.17 ×	1.05 ×	.99 =	1.22
Schweinfurt, Germany	1.17 ×	1.02 ×	1.00 =	1.19
Vilseck, Germany	1.17 ×	.98 ×	1.00 =	1.14
Wildflecken, Germany	1.17 ×	1.05 ×	1.00 =	1.23
Livorno, Italy	1.08 ×	1.02 ×	.99 =	1.10

Question. Provide for the record the bases on which the supporting costs for each new construction project were estimated.

Answer. The supporting costs for new construction projects were developed based on conditions for each individual site. The cost estimates for each site include, but are not limited to, the following items:

Site clearing/grading

Utilities (including water, gas electrical lines, sewer/storm drainage system)

Paving (including roads, streets, walks, curbs, parking)

Landscaping (including seeding, sod, shrubs, trees, tot lots, playgrounds, fencing)

Communication

Bulk storage

Mechanical equipment buildings

Question. Explain the special construction features line in the supporting costs for each new construction project.

Answer. There is no special construction features line in the supporting cost block for Army new construction projects.

OBLIGATION RATE—MAINTENANCE AND IMPROVEMENTS

Question. What effect will the new provision limiting obligations in the last two months of the Fiscal Year to 20 percent have on the affected accounts in Fiscal Year 1986?

Answer. AFH O&M obligated 17 percent of the total program in the last two months of the last Fiscal Year. However, the combination of narrow reprograming limits and any delay in approvals may jeopardize the 20 percent limitation and result in the lapsing of budget authority.

Question. How much of the Fiscal Year 1986 improvements account has been obligated to date?

Answer. The improvements account has obligated $8,400,000. Based on the current award schedule, the account will have obligations of $75,444,600 by the end of the third quarter.

Question. How much of the Fiscal Year 1985 improvements account was obligated as of October 1, 1985 and how much has been obligated to date?

Answer. The Fiscal Year 1985 improvements account obligated $70,068,000 as of October 1, 1985 and obligated $74,398,000 to date. The balance is committed to one unawarded project under bid protest, anticipated currency losses and contingencies.

Question. What percentage of the Fiscal Year 1985 improvements account was obligated in the last two months of that fiscal year?

Answer. Seventy-two percent of the Fiscal Year 1985 improvements account was obligated in the last two months of that fiscal year.

BID EXPERIENCE

Question. Provide for the record recent bid experience on all new family housing construction projects put under contract since 1984.

Answer. Below is the recent bid experience on all family housing construction projects contracted since 1984.

Installation	Number of units	Contract award	Current [1] Working estimate	Programmed amount
Fiscal year 1984 program:				
Aberdeen Proving Ground, Maryland	208	11,205,800	12,209,806	12,896,000
Fort Greeley, Alaska	38	6,075,768	[2] 6,494,002	4,633,000
Fort Polk, Louisiana	200	11,763,800	12,624,564	13,436,000
Fort Stewart, Georgia	244	11,207,000	12,090,758	12,637,000
Bayreuth, Germany	13	794,640	907,466	908,000
Dexheim, Germany	100	6,763,225	7,814,646	7,900,000
Kitzingen, Germany	103	7,379,645	[2] 10,202,000	8,943,000
Vilseck, Germany	100	5,788,123	6,649,436	6,650,000
Wildflecken, Germany	153	8,356,809	9,988,000	10,588,000
Livorno, Italy	100	5,862,000	7,727,000	7,037,000
Fiscal year 1985 program				
Sierra Army Depot, California	80	4,711,600	5,106,488	5,130,000

—Continued

Installation	Number of units	Contract award	Current [1] Working estimate	Programmed amount
Babenhausen, Germany	106	6,630,030	7,615,549	7,620,000
Mainz, Germany	186	11,298,907	13,875,914	14,200,000
Fiscal year 1986 program:				
Fort Drum, New York	[3] 650	50,10,000	53,226,000	53,226,000

Note [1] Includes contingencies, supervision and inspeciton overhead.

Note [2] Additional funds were provided by reprograming.

Note [3] Appropriation was for 800 units, but actual award was only 650 units plus an additional 50 units obtained through contract adjustment.

PARRIS ISLAND, SOUTH CAROLINA—GOQ

Question. Explain the $41,000 request for routine maintenance on this unit.

Answer. This set of quarters, located at Parris Island, SC, is listed on the National Historic Society Register. It is a very large set of quarters (8227 square feet) located adjacent to salt water and exposed to salt spray. This set of quarters was last painted in October 1980 at cost of $20,000. The surfaces have now begun to crack and peel, rendering it impossible to simply paint as done in previous years and achieve an acceptable finish.

Although painting is routine maintenance, this project ($32,000), which has been previously identified to the Congress through our interim report on Historic quarters in January 1986, will waterblast all exterior surfaces to remove all accumulated paint down to the bare wood. The bare wood will then be primed and painted two coats of exterior oil base paint. Additionally, this project will provide for the installation of new storm sash for the windows. The rest of the $41,000 is for routine maintenance ($9,000) which includes replacement of hot water heater, repair blinds, replace two lavatories with vanities, replacement of range hoods and preventive maintenance.

GRAMM-RUDMAN-HOLLINGS

Question. Provide for the record the specifics on how the Fiscal Year 1985 and prior Gramm-Rudman reduction were realized.

Answer. The Office of the Assistant Secretary of Defense (Comptroller) computed 4.9 percent of the total unobligated balances in the Fiscal year 1982 through 1985 construction accounts. The dollar amount of each fiscal year was deducted from the improvements account.

UTILITIES

Question. What effect has the separation of utilities into a separate account has on the program?

Answer. For execution purposes, Fiscal Year 1986 has not progressed far enough to determine the impacts of the change. By making utilities a separate account, and limiting the movement of funds, year end closing activities could be adversely impacted.

Question. What was the actual cost of utilities for each service compared with the amount appropriated in Fiscal Year 1985?

Answer.

Fiscal Years	Actual	Appropriated
1984	$278,169,000	$298,289,000
1985	257,674,000	285,000,000

Both fiscal years benefitted from disbursement payments at foreign currency exchange rates higher than formulated or appropriated; however, the favorable high foreign currency exchange rate has now reversed.

LEASING

Question. Provide for the record the actual amounts required in fiscal year 1987 for all domestic lease projects under Section 801 based on current construction and delivery schedules.

Answer. Based on the most current construction and delivery schedules, the request for funding for Section 801 housing is as follows:

	Dollars in thousands
Fort Wainright, AK	5,200
Fort Polk, LA	2,000
Fort Drum, NY	15,300
Fort Hood, TX	450
Total requirement	22,950

Question. Based on current information, are all of the funds requested for the leasing account in fiscal year 1987 required to pay for leases?

Answer. Based on current projections of build-to-lease occupancy, funds in the amount of $140,439,000 will be required to pay for rent, utilities, services, initial issue and replacement furnishings, and management costs of units to be occupied in Fiscal Year 1987. This is slightly less than the $142,639,000 originally estimated in the Fiscal Year 1987 submission.

ICELAND—FAMILY HOUSING

Question. Explain how the requirement for U.S. manufactured housing has made this cost $194,000 per unit.

Answer. Of the $194,000 per unit, approximately $10,000 (5.4%) per unit is associated with the provision of a U.S. manufactured concrete casting system.

Question. Will these units be made in the U.S. and shhipped or pre-cast contrete?

Answer. The Navy is proceeding with plans to require that the Icelandic Prime Contractor (IPC) purchase, lease or rent a U.S. manufactured concrete casting system which wil be set up at the Keflavik Naval Station for casting building components.

Question. Explain why no U.S. personnel or their families are allowed to live off base.

Answer. The Memorandum Of Understanding negotiated between the Government of Iceland and the United States requries that all U.S. military personnel and their families live on base.

Question. How much would these units cost without the U.S manufactured requirement?

Answer. Approximately $10,000 per unit less or $184,000 each.

Question. Will the Iceland Prime contractor have exclusive right to build these houses or will the contract be open for bid both internationally and in Iceland?

Answer. The U.S./Iceland Status of Forces Agreement provides that the Icelandic Prime Contractor (IPC) has exclusive authority to construct this housing project.

NEWPORT, RHODE ISLAND—RENOVATION

Question. What studies were done to justify the economics of spending $67,000 per unit to renovate the inactive housing at the Anchorage Housing area?

Answer. Formal studies or analyses outside of project design were not conducted for the project to renovate and reactivate housing units at the Anchorage site. The cost to build replacement housing at this site is estimated to be approximately $77,400 (in Fiscal Year 1989 dollars). This figure includes design and demolition of the existing units. Because the renovation cost is not expected to exceed replacement cost, because the renovated unit will represent complete reconstruction or replacement of the existing units constituent components, and because the renovated units would be on-line at least two years sooner than replacement units, the proposed improvement/repair project was chosen as a course of action.

Question. Supply the relevant studies for the record.

Answer. There is no relevant study to be provided.

Question. Will the $67,000 requested per unit be sufficient to fully repair the 186 units?

Answer. The project includes all known repair and improvement requirements. The cost estimate of $67,000 is based on the latest design estimate available at the time of budget submission. The cost estimate is subject to the uncertainties of the bidding climate and deficiencies which might be uncovered during the course of construction accomplishment.

GUAM—CO QUARTERS

Question. Explain why the CO's quarters are necessary on base at this time, since it hasn't ever been required before now.

Answer. This project has been cancelled subsequent to the time of budget submission. Through design, it was determined that the constraints of existing reinforced concrete walls, with respect to altering the interior configuration and moving interior partitions, and the size limitations established by 10 U.S.C. 2826 make conversion impractical. However, the requirement to house the Commanding Officer "on base" was evaluated by the Commander in Chief, U.S. Pacific Fleet (CINCPACFLT) and Commander, U.S. Naval Forces, Marianas. It was determined that, for security and morale reasons, command presence "ashore" is necessary, and other means will be pursued.

Question. What will happen to the quarters now designed as the CO's?

Answer. The quarters would have been used to house another senior officer.

Question. Will they be converted into a duplex?

Answer. No, they will be retained as a single family housing unit.

Question. If the CO's presence is so important, why were his quarters originally designated 8 miles away?

Answer. The quarters originally designated for the CO, NAVSTA, are located in the Flag Circle housing site. This area features units designated for Flag and senior officers. Because of the CO's seniority, he was assigned to live in quarters at that site. However, the remoteness of the residence as related to his command, and its effects on security and morale, were determined to more than offset whatever advantages were derived from including the CO, NAVSTA, in the cluster of other senior officer quarters.

GUAM—WHOLEHOUSE IMPROVEMENTS

Question. Justify the $95,000 per unit cost of these projects in light of the cost of building new units.

Answer. The estimated per unit cost to replace the housing involved in the Guam projects is $179,500. The $95,000 cost to renovate and modernize each unit represents only 53% of the replacement cost. Furthermore, the wholehouse projects for Guam include energy conservation retrofits which will serve to reduce utility costs over the life of the unit. This will represent a payback of part of the $95,000 investment in each unit over the expected life of the units.

The $95,000 cost is also based on an Area Cost Factor of 1.95 for Guam.

Question. Supply for the record any economic analysis done to justify these projects.

Answer. Because the project cost is only 53% of the replacement cost, and because it was determined that the differences in life cycle costs between a renovated/modernized unit and a newly constructed unit would not be significant, a full economic analysis has not been performed.

PLANNING AND DESIGN

Question. Explain the use of prior year savings for design enabling a decrease from last year's request.

Answer. Design funding for the improvement program is requested two years in advance of the expected execution of the program and is based on design fees of 6% of the expected program plus 1% for projects that may be cancelled after design initiation. In prior years the Navy experienced workload difficulty and was unable to execute the program in a timely manner. Accordingly, we reduced the outyear programs to an executable level. The design funds provided, therefore, were based on higher level improvement programs that were not realized. For that reason, design funds were purposely underbudgeted in FY's 86 and 87. We expect restoration to a more normal level in the following years.

NAPLES, ITALY—GENERAL OFFICER QUARTERS

Question. The Navy operates 9 flag officer quarters in Naples at *an average cost of $36,000 per year. These costs include rent, utilities, and routine maintenance. Explain this high cost.*

Answer. The costs for leased flag officer quarters in Naples are comparable to rental prices being paid for similar properties in the area. These costs are not excessive.

Question. Are these all U.S. personnel assigned to NATO?

Answer. Only one of the flag officers is assigned to NATO. He is the Chief of Staff, Allied Air Force Southern Europe.

QUARTERS 6, WASHINGTON, DC—MARINE CORPS

Question. Explain the need for $120,000 for this unit in light of the reported expenditure of $309,000 over four years on it.

Answer. Quarters 6, Marine Barracks, 8th & I is the home of the Commandant of the Marine Corps. The house, which was constructed in 1810, is a three story brick structure with a full basement. The approximate size of the home is 15,000 square feet, which includes 30 rooms, not counting the hallways, closets or baths. The house is listed in the National Historical Register.

We have accomplished many long overdue repairs to the Commandant's quarters over the last four years. The repairs were required for us to extend the service life of this house. Our growing concern about the escalating cost of maintaining the quarters, however, caused us to enlist the aid of a well qualified commercial engineering firm to assist us in developing a time-phased plan to do the rest of the essential repair work in the most cost effective way possible. The $120,650 requested this year is required to carry out the first phase of this cost conscious plan.

This year about $90,510 of the $120,650 will be used to replace the inadequate heating and air conditioning units. Another $12,600 is needed to do routine maintenance and repair work. We have also budgeted for $17,540 for operations, which includes utilities, pest control, and refuse removal. Replacement of the air conditioning system in fiscal year 1987 is necessary because the 100 or so fan coil units located throughout the home are 17 years old and they require replacement. This is a major undertaking because the associated piping and coils run throughout the house, and are located behind plastered walls and ceilings. There have been numerous cases of leaks causing damage to walls, ceilings and contents of the home in recent years. Repair of the air conditioning system will allow us to stop this unacceptable deterioration of these historic quarters. That was our rationale for identifying this item as a "known renovation requirement" in the interim report on historic quarters submitted to the Appropriation Committees in March 1985.

We are committed to preserving and maintaining this home in a cost effective manner that is consistent with both its historical significance and its current function. We will, of course, provide you our final plan for the home by the end of fiscal year 1986.

NEW CONSTRUCTION

Question. Provide for the record the breakdown of the project factors for each new construction project showing are cost factor, project size factor and unit size factor.

Answer. The project factors for the Navy FY 1986 program are:

Location	ACF	PSF	USF	Project factor
New York	1.24	0.98	1.00	1.22
Long Beach	1.20	0.98	1.00	1.18
San Francisco	1.23	0.98	1.00	1.21
Twentynine Palms	1.20	0.98	1.00	1.18
Moffett Field	1.23	1.00	1.00	1.23
Keflavik	2.55	0.98	1.00	2.50

Question. Provide for the record the basis on which the supporting costs for each new construction project was estimated.

Answer. The supporting cost estimates are based upon engineered estimates for site develpment, provision of utilities, paving, special construction features and landscaping at each site by the Engineering Field Division as a part of the Site Engineering Investigation (SEI) work. Estimates on recreational facilities is based upon an assessment of the need for such on a case by case basis and assigned as an allowance.

Question. Explain the special construction features line in the supporting costs for each new construction project.

Answer. The special construction features for each project are as follows:

New York—The siting of the project occurs on lands at the south side of Ft. Wadsworth which are presently encumbered with older buildings which will be razed because they are not appropriate for the use intended, nor are they cost effective to retain or renovate. Because of the existing utility and street infrastructure, additional cost will be required to protect and retain usable portions, thereof.

Long Beach—the seismic engineering codes for construction in Zone 3 require thee addition of corner bracing in multi-family structures and special nailing schedules for floor diaphragms which resist lateral forces present in earthquakes.

San Francisco—The seismic engineering codes for construction in Zone 3 require the addition of corner bracing in multi-family structures and special nailing schedules for floor diaphragms which resist lateral forces present in earthquakes.

29 Palms—The seismic engineering codes for construction in Zone 3 require the addition of corner bracing in multi-family structures and special nailing schedules for floor diaphragms which resist lateral forces present in earthquakes. The housing areas at 29 Palms are located at the base of a mountain range that can develop extensive water run-off in the form of flash flood during thunder storms. As housing projects have been added, the present diversion berm protection system must be extended to protect the new housing area.

Moffett Field—The seismic engineering codes for construction in Zone 3 require the addition of corner bracing in multi-family structures and special nailing schedules for floor diaphragms which resist lateral forces present in earthquakes.

Keflavik—Approximately $2,500,000 is required for the cost of using a U.S. built concrete casting system in Keflavik to produce housing components. Additionally, the site is located on a rocky strata which will require approximately $500,000 of special excavation work by the Icelandic Prime Contractor.

OBLIGATION RATE—MAINTENANCE AND IMPROVEMENTS

Question. What effect will the new provision limiting obligations in the last two months of the fiscal year to 20% have on the affected accounts in FY86?

Answer. None. The Department of Navy had previously initiated efforts to execute repair and improvement projects earlier in the fiscal year to avoid year-end workload problems. The remaining operation and maintenance accounts execute at a relatively even rate throughout the year.

Question. How much of the fiscal year 1986 Improvements account has been obligated to date?

Answer. To date, none of the Navy and Marine Corps' fiscal year 1986 Improvement account has been obligated. Once apportionment was received in January 1986, projects were authorized for advertisement. We expect at least 90% obligation of this account this fiscal year.

Question. How much of the fiscal year 1985 Improvements account was obligated as of October 1, 1985, and how much has been obligated to date?

Answer. The following is provided for the Navy and Marine Corps' program: (Figures are rounded to the nearest thousand.)

Appropriated	Obligated A/O October 1, 1985	Obligated A/O March 31, 1986
$9,000,000	$8,560,000	$8,632,000

Question. What percentage of the fiscal year 1985 improvements accounts were obligated in the last two months of that fiscal year?

Answer. Of the fiscal year 1985 Navy and Marine Corps' improvement account, $10,000 was de-obligated in the last two months of the fiscal year. This represents a decrease in obligations of one-tenth of one percent of the total program.

BID EXPERIENCE

Question. Provide for the record recent bid experience on all new family housing construction projects put under contract since 1984.

Answer. The following are bid results on family housing construction projects since 1984:

Fiscal year	Location	Units	CWE (dollars in thousands)	Dollars/Unit
1984	Camp Pendleton	300	18,700	62,333
1984	El Toro	130	10,154	78,108

—Continued

Fiscal year	Location	Units	CWE (dollars in thousands)	Dollars/Unit
1984	Subic Bay	300	27,296	90,987
1985	Camp Pendleton	360	22,000	61,111
1985	Guantanamo Bay	125	12,500	100,000
1985	Wallcps Island	28	2,170	77,500
1985	Adak	405	63,000	155,555
1985	Sterling Homes	632	NA	[1] NA
1986	Earle	200	14,346	71,730
1986	Adak	100	15,509	155,090

[1] Sterling Homes is being acquired for $22,000,000 plus the release of approximately 64 acres of land near the center of Oceanside, CA.

GRAMM-RUDMAN

Question. Provide for the record the specifics on how the fiscal year 1985 and prior Gramm-Rudman reductions were realized.

Answer. For FY 1982 through FY 1985 Improvement accounts, Gramm-Rudman reductions were taken against unobligated funds being held for contingencies. Gramm-Rudman reductions in the New Construction account were accommodated through the establishment of upper limits on project dollars available for new construction projects. A number of turnkey proposls were rejected as non-conforming because they had bid above the limits that were set.

UTILITIES

Question. What effect has the separation of utilities into a separate account had on the program?

Answer. The establishment of a separate utilities account will have no effect on the program. Since 1984, when account limits were imposed, the utilities and other operation accounts have been underfunded, requiring Congressional reprogramming authority.

Question. What was the actual cost of utilities comparied with the amount appropriated in FY's 1984 and 1985?

Answer. Actual execution for the Department of the Navy Utilities account, compared to the amount appropriated, is as follows:

Year	Actual cost	Amount appropriated
1984	$158,570,000	$155,522,000
1985	$161,917,000	$160,000,000

LEASING

Question. Provide for the record the actual amounts required in fiscal year 1987 for all domestic lease projects under Section 801 based on current construction and delivery schedules.

Answer. The actual amount required for lease projects under Section 801 in FY 1987 will be approximately $660 thousand.

Question. Based on current information are all of the funds requested for the leasing account in fiscal year 1987 required to pay leases?

Answer. All of the funds requested in the FY 1987 leasing account are required to pay leasing costs.

MAINTENANCE OBLIGATIONS

Question. In fiscal year 1983 and fiscal year 1984 the Air Force obligated over 50% of its maintenance funds in the last two months of the fiscal year. Why did this occur and how has the new provision limiting this rate to 20% affected the program?

Answer. Funding in prior years had not been adequate to support a strong commitment of limited design resource necessary to provide a sufficient number of projects ready for obligation. In FY 83 and FY 84, the funding level increased and most of the maintenance projects were not ready for contract obligation until later in the fiscal year. In FY 1985, management efforts were taken to establish an aggressive program to get more projects designed and ready for obligation earlier in the fiscal year. This resulted in a 69% obligation rate of maintenance funds by 30 June 1985 (9 months of the fiscal year). Because of project phasing in FY 1985, the new provision in FY 1986 limiting obligations to 20% of program in the last two months has had no adverse effect on the current program.

WHITE POINT, CALIFORNIA

Question. The Air Force is still at odds with the city of Los Angeles on the final configuration of housing on the White Point property. Explain the reasons for the difference on the land use plan and the exact status of the project?

Answer. The primary differences between the Air Force and the City of Los Angeles regarding the White Point housing are the acreage required and city's recommendation for split siting. The proposed action consists of 40 acres located on the southeastern portion of White Point. The final environmental impact statement filing is scheduled for July 1986. The Air Force has included the city's suggested siting in the alternatives in the draft environmental impact statement currently under public review.

GERMAN HOUSING PROJECTS

Question. Have the Germans, both local and federal officials, agreed to the use of U.S. manufactured housing for these two projects? Are sites available and have all necessary approvals been granted?

Answer. German officials, federal and local, have agreed to the use of U.S. manufactured housing. Sites are available and necessary approvals have been granted for the Bitburg project. Negotiations for the Hahn site are in progress.

USAF ACADEMY, COLORADO—GOQ

Question. Explain the $120,000 requested for the one general officer quarters and what are the total costs of the renovation of this unit?

Answer. The general officer quarters at the Air Force Academy was built about 1920 and acquired when the Academy was established. Little major work has been accomplished and annual operations and maintenance costs are high due to extensive deterioration of mechanical, electrical and architectural systems. The alterations and improvements provide a more efficient and livable layout in this large house. The extensive repairs include replacement of the antiquated heating system, repairs to the water and waste systems, replacement of deteriorated windows and exterior doors, and repairs to the electrical system. The cost-benefit analysis indicate annual savings of $9,900 after project completion. Total renovation costs are $120,000.

GOQ RENOVATION PROGRAM

Question. Explain the emphasis on renovation of general officer quarters in the Air Force.

Answer. The emphasis on renovation of general officer quarters stems from Congressional direction to identify whole house improvements and reduce high annual operations and maintenance costs. The Air Force plan identified 500 units of general officer and historic housing which require whole house improvements to bring them to a good state of repair. Fewer than 60 percent are general officer quarters. Extensive engineering surveys identify the total requirements and costs. Then cost-benefit analyses determine the most reasonable economic solution for each unit or group of units.

IMPROVEMENTS PROGRAM PRIORITY

Question. Explain the system of prioritizing the projects in the improvements account and how the list of alternative projects was developed.

Answer. The improvements account is a lump sum appropriation and, as such, is not prioritized within the account. The selection of projects within the account and the list of alternate projects is developed from the major commands' evaluation of their needs. The commands are tasked to submit requirements based on their need, their percentage of the total housing inventory and the total requested in the Air Force account.

UTILITIES—ARMY

Question. Explain the increase in this account in light of the Army's reduction from 1986 to 1987.

Answer. The Air Force is experiencing utility rate increases for purchased utilities at several large installations, cost increases for coal purchases in Alaska, and significant foreign currency losses in Japan all of which increase dollar requirements for utilities. The

Air Force efforts to achieve consumption reductions have offset much of the cost increases we are experiencing. We are proud of the success of our efforts to hold down utility costs, and will study the Army methods for possible application to the Air Force program to duplicate their achievements in reducing costs.

NEW CONSTRUCTION WITH AREA COST FACTOR

Question. Provide for the record the breakdown of the project factors for each new construction project showing area cost factor, project size factor and unit size factor.

Answer.

Location	Project factors			Unit size	Project factor
	Number of units	Area cost	Project size		
Bitburg AB, GE	332	0.96	0.98	0.99	0.9314
Hahn AB, GE	150	.96	1.00	.97	.9312
Osan AB, KOR	1	.91	1.05	.96	.9173
La Junta, CO	40	.98	1.05	.98	1.0100

Question. Provide for the record the basis on which the supporting costs for each new construction project was estimated.

Answer. The supporting costs are based on known site conditions, and the best cost data available at the time.

Question. Explain the special construction features line in the supporting costs for each new construction project.

Answer. The special construction features indicated in the Air Force project is in error. It should have read "applicances."

LIMIT ON OBLIGATION RATE—MAINTENANCE AND IMPROVEMENTS

Question. What effect will the new provision limiting obligations in the last two months of the fiscal year to 20% have on the affected accounts in fiscal year 1986.

Answer. Management actions in FY 1985 rephased the timing of maintenance projects to overcome the late obligations of previous years. The new provision in FY 1986 is not anticipated to have any impact on maintenance projects. The impact might require deferring some projects to first quarter fiscal year 1987 for improvement projects.

Question. How much of the fiscal year 1986 improvements account has been obligated to date?

Answer. No obligation to date; however, bid openings in the amount of $11.3 million of the $44.0 million have been processed and contract awards are imminent. Sixty percent of the program is expected to be obligated by mid-May and the balance by August 31, 1986.

Question. How much of the fiscal year 1985 improvements account was obligated as of October 1, 1985 and how much has been obligated to date?

Answer. As of October 1, 1985, $37,539,045 of $62,173,000 (60.4 percent) was obligated. As of February 28, 1986, $47,270,934 of $62,173,000 (76.0 percent) was obligated.

Question. What percentage of the fiscal year 1985 improvements account was obligated in the last two months of that fiscal year?

Answer. For the period August 31–September 30, 1985, 9.7 percent was obligated. For the period July 31–August 31, 1985, 1.1 percent was obligated.

BID EXPERIENCE—NEW CONSTRUCTION

Question. Provide for the record bid experience on all new family housing construction projects put under contract since 1984.

Answer.

	Dollars
Camp New Amsterdam:	
Approp. Amount	$4,205,000
Project Cost	3,105,881
(Currency Exchange Rate)	+666,375
Total Project Cost	3,772,256
Forsyth:	
Approp. Amount	3,512,000
Project Cost	4,171,240
F.E. Warren:	
Approp. Amount	16,300,000
Project Cost	15,501,300

REALIZATION OF GRAMM-RUDMAN CUTS

Question. Provide for the record the specifics on how the fiscal year 1985 and prior Gramm-Rudman reductions were realized.

Answer. The FY 1985 and prior, Gramm-Rudman reductions were realized as follows:

	Fiscal years			
	1982	1983	1984	1985
New construction	$230,678	283,367	$1,932,918	$5,583,550
Post Acq construction	140,322	207,633	248,082	1,256,450
Total reduction	371,000	491,000	2,181,000	6,840,000

Note: The above figures represent 4.9 percent reduction of September 30, 1985 unobligated balances.

SEPARATE ACCOUNT FOR UTILITIES

Question. What effect has the separation of utilities into a separate account had on the program?

Answer. We have not witnessed, nor do we anticipate, any ill-effects as the result of making utilities [illegible]eparate account. In view of the magnitude of the program (dollars, consumption, conservation efforts, visibility, etc.), we welcome it as a separate account. It is easier to discuss in terms of budget requirements and track through the accounting system.

Question. What was the actual cost of utilities for [illegible]h service compared with the amount appropriated in fiscal y[illegible] 1984 and fiscal year 1985?

Answer.

Fiscal year	Air Force Appropriation	Cost
1984	$228,000	$225,012
1985	230,000	217,654

AMOUNTS REQUIRED FOR LEASING

Question. Provide for the record the actual amounts required in fiscal year 1987 for all domestic lease projects under Section 801 based on current construction and delivery schedules.

Answer. Total Section 801 funding required in FY 1987 is $5.6 million.

[Dollars in thousands]

Location	Number of units	Fiscal year 1987 request
Eielson AFB, AK	300	3,800
Hanscom AFB, MA	163	1,800
March AFB, CA	200	0
Goodfellow AFB, TX	200	0
Castle AFB, CA	200	0
Total 801	1,063	5,600

Question. Bassed on current information are all of the funds requested for the leasing account in fiscal year 1987 required to pay leases?

Answer. Based on current construction and delivery schedules all of the funds requested in the FY 87 leasing account are required to pay for leases.

[CLERK'S NOTE.—This concludes Mr. Hefner's questions]

Mr. COLEMAN. Are there any other questions? If not, that is all. Thank you very much.

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